

***United States Court of Appeals
for the Second Circuit***



EXHIBITS

76-7465

**United States Court of Appeals
For the Second Circuit**

Docket No. 76-7465

TRANSCONTINENTAL OIL CORPORATION, TRECON OIL CO. LTD.
and B. EDWIN SACKETT, individually and as nominee,

*Plaintiffs-Appellees and
Cross-Appellants,*

—against—

TRENTON PRODUCTS COMPANY, BERNARD FEIN, HERZFELD &
STERN, LOEB, RHOADES & CO., GERSTLE, SUNSTEIN & COM-
PANY, A. ARTHUR WEISS, LOUIS C. FIELAND and THERESA
ZAPPELY.

Defendants.

TRENTON PRODUCTS COMPANY and BERNARD FEIN,

*Defendants-Appellants and
Cross-Appellees.*

TRENTON PRODUCTS COMPANY and BERNARD FEIN,

*Defendants and Third-Party
Plaintiffs—Appellants and
Cross-Appellees.*

—against—

PHILLIP P. GOODKIN, LOUIS GOODKIN, MICHAEL A. ROBERTS,
DAVID FRANKEL, JAMES E. DAVIS, PAUL A. ROSSBOROUGH,
J. STREICHER & COMPANY, HARRY B. LESLIE, BERTRAM F.
FAGENSON, EDWIN B. SACKETT and FAGENSON AND FRANKEL
COMPANY, INCORPORATED,

*Additional Defendants—
Appellees on Counterclaim.*

**Appeal from a Judgment of the United States
District Court for the Southern District of New York**

**JOINT APPENDIX—DEFENDANTS' EXHIBITS
Volume II of III
Pages 163 to 287**

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Exhibit A

Stipulation of Settlement in
Sackett v. Transcontinental Oil Corp.
et al., 65 Civ. 2500, dated
June 22, 1966

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Defendants Trenton &
Fein Ex.

No.  SEP 16 1974

UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

D. JEROME SACKNER,

65 Civ. 2500

Plaintiff,

- against -

THE TRANSCONTINENTAL OIL CORPORATION,
BERNARD FEIN, ROY L. KROPP, LEON
M. ROSENBERG and TRENTON PRODUCTS
CORPORATION,

STIPULATION
OF
DISMISSAL

Defendants.

WHEREAS, the within action was commenced on or about August 17, 1935, derivatively on behalf of the plaintiff and on behalf of all other stockholders of and for the benefit of Transcontinental Oil Corporation [hereinafter referred to as "Trans"], and service of the summons and complaint herein was thereafter made upon Bernard Fein and Trans on August 24, 1935; and

WHEREAS, Fein has served an answer denying the material allegations of the complaint and asserts that he is entitled to judgment dismissing the complaint on the merits but at the same time recognizes the desirability of settling and terminating this action to avoid the time and expense of further burden and protracted litigation; and

WHEREAS, Trans has served an answer in which it has submitted its rights to the judgment of the Court, and no other action has been taken in this matter since the filing of the complaint herein;

NOW, THEREFORE, IT IS STIPULATED AND AGREED, that said action shall be settled, subject to the approval of the Court as herein provided, upon the following terms and conditions:

1. Fein shall execute and deliver to Trans a general release releasing Trans from any and all liability to Fein, including unpaid salary payable by Trans to Fein at the rate of \$10,000 per annum from August, 1960.

2. Fein shall deliver to Trans a general release executed by one Louis C. Fieland, releasing Trans from any and all claims by said Louis C. Fieland, including a claim of approximately \$35,000, plus any interest that may be due with respect thereto.

3. Within ten (10) days after final judgment has been entered herein, as hereinafter defined, Fein shall cause to be held a duly constituted meeting of the board of directors of Trans, at which meeting there shall be elected as directors B. Edwin Sackett, David Frankel and Michael A. Roberts, and simultaneously therewith, Fein and the other existing directors shall resign from their directorships in Trans, and Fein shall thereupon also resign as president of Trans.

4. Within ninety (90) days after final judgment has been entered herein approving this settlement, the board of directors of Trans shall call a special meeting of the stockholders of Trans for the purpose of holding an election of directors, and at said meeting, a report shall be made to the shareholders of the affairs of Trans and of its future plans.

5. The plaintiff will proceed expeditiously to effect the discontinuance of the proceeding entitled In The Matter of the Application of R. Fein Fein, a Stockholder of Transcontinental Oil Corporation, for an Order Requiring Election to be Held for the Directors of Transcontinental Oil Corporation, C.A.2239, 1965, in the Court of Chancery of the State of Delaware, in and for New Castle County.

6. Fein hereby waives any and all rights to be reimbursed by Trans with respect to legal fees and/or other costs and expenses incurred by him in the defense of this litigation, irrespective of whether such rights of reimbursement shall exist by reason of any statute or by reason of any of the by-laws or other corporate obligation to Fein.

7. Trans shall deliver to Fein a general release in the form annexed as Exhibit "A".

8. If this settlement shall be approved by the Court, judgment shall be entered in appropriate form: (a) approving this Stipulation of Settlement and compromise, adjudging it fair, adequate and proper and directing its consummation; and (b) dismissing the complaint herein, with prejudice, against Trans, its successors and assigns and its stockholders, with respect to all claims or causes of action arising from, connected with or related to any of the matters or transactions alleged in the complaint herein, or which could have been asserted thereunder.

9. The consummation of this settlement shall await entry of the final judgment of approval of this Stipulation and of the compromise and settlement herein provided for, the expiration of time to appeal from said judgment and, if an appeal be taken, the final disposition of said appeal, and the term "consummation of settlement" shall mean the latest of such events.

10. The attorneys for the plaintiff shall promptly submit this Stipulation of Settlement herein to the Court for approval pursuant to Rule 23 of the Federal Rules of Civil Procedure.

11. Neither this Stipulation, nor any proceedings hereunder, shall be construed as or deemed to be evidence or an admission on the part of the defendants named in this action, or any of them, of any liability or wrongdoing whatsoever as set forth in the complaint or otherwise; nor shall this Stipulation, or any of the terms thereof, be offered or received in evidence as an admission of wrongdoing on the part of the defendants, or any of them, or any liability therefor.

Dated: New York, N. Y.
June 22, 1966.

KAUFMAN, TAYLOR, KIMMEL & MILLER
Attorneys for Plaintiff

By

Steven M. Taylor
A member of the firm

William H. Hanson
WILLIAM HANSON

Attorney for Defendants Penn
Bain and Transcontinental Oil
Corporation

To all to whom these Presents shall come
or may Concern,

Greeting: KNOW YE, That TRANSCONTINENTAL OIL CORPORATION

a corporation organized and existing under and by virtue of the laws of the State
of Delaware for and in consideration of the sum of
One and 00/100----- dollars (\$ 1.00)
lawful money of the United States of America, and other good and valuable consideration
to it in hand paid by

BERNARD FEIN

the receipt whereof is hereby acknowledged, has remised, released and forever discharged, and by
these presents does for itself and its successors, remise, release and forever discharge the said

BERNARD FEIN, his

heirs, executors and administrators, successors and assigns of and from all, and all manner of action and
actions, cause and causes of action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills,
specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages,
judgments, extents, executions, claims and demands whatsoever, in law, in admiralty, or in equity, which
against BERNARD FEIN

it ever had, now has or which
it or its successors hereafter can, shall or may have for, upon or by reason of any matter, cause or thing
whatsoever from the beginning of the world to the day of the date of these presents, with respect
to all claims or causes of action arising from, connected with, or
related to any of the matters or transactions alleged in the complaint
in an action in the United States District Court for the Southern District
of New York entitled B. Edwin Sackoff, plaintiff, v. Transcontinental Oil
Corporation, et al., defendants, 65 Civ. 2530.

This release may not be changed orally.

In Witness Whereof, the said TRANSCONTINENTAL OIL CORPORATION

has caused its corporate seal to be hereunto affixed and these presents to be signed by its duly authorized
officer on the _____ day of _____ nineteen hundred
and sixty-six.

TRANSCONTINENTAL OIL CORPORATION

(Corporate Seal)

By _____

State of New York
County of New York:

55.2

On the _____ day of _____ nineteen hundred and _____
before me came _____ to me known, who,
being by me duly sworn, did depose and say that he resides at No. _____

that he is the of Transcontinental Oil Corporation

the corporation described in, and which executed, the foregoing instrument; that he knows the seal of said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by order of the board of directors of said corporation; and that he signed his name thereto by like order.

卷之四

By Corporation

Exhibit B

Verified Complaint in
Sackett v. Transcontinental Oil Corp., et al.
dated August 12, 1965

Defendants Trenton & 171
Fein Ex.

No. **B**

UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

B. BENJAMIN SACKETT,

Plaintiff,

- against -

TRANSCONTINENTAL OIL CORPORATION,
BERNARD FEIN, ROY L. KROPP, LEON M.
ROBINSON and TRENTON PRODUCTS COMPANY,

Defendants.

VERIFIED COMPLAINT

: 61 Civil No. 2500

Plaintiff, by his attorneys, KAUFMAN, TAYLOR, KENNEL &
HILLER, on behalf of himself and on behalf of all other stock-
holders of and for the benefit of TRANSCONTINENTAL OIL CORPORATION,
complaining of the defendants, alleges upon information and belief,
except for the allegations contained in Paragraph 1 which is
alleged on personal knowledge:

1. Plaintiff is a citizen and resident of the State of
Connecticut, and has been a stockholder of TRANSCONTINENTAL OIL
CORPORATION (hereinafter called "TRANS") at all the times herein-
after mentioned. Plaintiff is now the owner of 70,000 shares of
Common Stock of said corporation.

2. TRANS is a corporation duly organized and existing
under the laws of the State of Delaware. TRANS has its principal
place of business in the Southern District of New York.

3. TRENTON PRODUCTS COMPANY is a corporation duly
organized and existing under the laws of the State of New Jersey.

4. (a) None of the defendants is a citizen or resident of the State of Connecticut.

(b) The amount in controversy exceeds the sum of Ten Thousand (\$10,000.00) Dollars.

(c) Jurisdiction herein is based upon diversity of citizenship.

(d) This action is not a collusive one to confer on a Court of the United States jurisdiction of any action of which it would not otherwise have jurisdiction.

5. The individual defendants have at all times herein-after mentioned been members of the Board of Directors of TRANS.

6. Since on or about January 1st, 1960, FEIN has been and still is President and Chairman of the Board of Directors of TRANS.

7. Demand upon the Board of Directors of TRANS to bring this action would be futile because:

(a) All of the present directors of TRANS named herein as defendants have themselves participated in, profited by, authorized and approved the acts and transactions complained of and have taken no steps to prevent any of such acts or transactions or to seek redress therefor and, as a result, the present members of the Board of Directors are personally liable therefor,

(b) Any action instituted and controlled by the Board of Directors of TRANS to redress the wrongs hereinafter alleged would be in friendly hands and could not be prosecuted properly.

8. Demand upon the shareholders of TRANS would be futile and is not necessary because:

(a) Under Delaware law, the management of TRANS rests in its Board of Directors. The shareholders cannot compel its Board of Directors to sue.

(b) The wrongful acts and transactions complained of herein are not subject to ratification by the stockholders of TRANS and any such ratification would be ultra vires, illegal, contrary to public policy, would constitute a fraud upon TRANS' minority shareholders and would unlawfully deprive TRANS of its property and assets.

(c) Any purported authorization from TRANS' shareholders to institute this action or to seek redress otherwise for the wrongs hereinafter alleged would place control of such cause of action in the hands of the defendants.

(d) The shareholders of TRANS are without power under the law to take any action to redress the wrongs herein complained of by compelling the institution of this action by the Board of Directors.

9. On or about January 1st, 1960, FEHL assumed control over the Board of Directors of TRANS and at all times thereafter the said FEHL has controlled the said Board of Directors.

10. Since at least January 1st, 1960, the individual defendants herein have failed and refused to call an annual meeting of the stockholders of TRANS to elect a Board of Directors as required by the law of the State of Delaware and by the bylaws of said corporation.

11. Since at least March 23rd, 1960, FEIN has refused and failed to convene meetings of the Board of Directors to conduct the affairs of TRANS and has instead usurped the authority of said Board of Directors and carried on the business of the Corporation without authority from such Board of Directors or from the stockholders in derogation of the interests of the stockholders and to the detriment of TRANS.

12. Since prior to January 1st, 1960, FEIN has failed and refused, among other things, to furnish reports to the stockholders or advise them of the financial condition of TRANS.

13. At all times herein mentioned, TRANS has been and still is the owner of producing oil properties located in the State of Colorado, and from which TRANS has received and is presently receiving monthly income ranging from \$5,000. per month to \$12,000. per month. FEIN has wilfully failed to account to the stockholders for the said income or to use the same to maintain the said oil properties in efficient operating condition or to fully develop and exploit the full potentialities thereof.

14. Heretofore, and prior to the 11th day of April 1960, TRANS acquired 100 percent of the working interest in 13,775 acres of gas leases located at Sedalia in the Province of Alberta in the Dominion of Canada for the price of Two Hundred Forty-Two Thousand (\$242,000.00) Dollars. The said gas properties contained gas wells and proven as well as semi-proven gas reserves estimated at 55 billion cubic feet gas, and thereby constituted a valuable asset of TRANS.

15. On or about the 11th day of April 1960, the defendants caused TRANS to enter into an agreement for the sale to TRENTON PRODUCTS COMPANY (hereinafter called "TRENTON") of three-eighths of said working interest in the Sedalia property, together with 150,000 shares of the Common Stock of TRANS, the same then being Treasury Stock, for an aggregate price of Ninety Thousand (\$90,000.00) Dollars. At the time of the said agreement of sale, the market price of the Common Stock of TRANS ranged from Sixty-Three (63¢) Cents to Seventy (70¢) Cents per share. The fair and reasonable price for the sale of the foregoing three-eighths working interest in the Sedalia property was at least the sum of Ninety Thousand (\$90,000.00) Dollars.

16. By reason of the foregoing, the price paid by TRENTON to TRANS for the said three-eighths share of the Sedalia property and the said 150,000 shares of Treasury Stock was unfair and grossly inadequate. The transaction was unlawful and a waste of the assets of TRANS.

17. Simultaneously with the aforesaid transaction of sale between TRANS and TRENTON, the defendants caused TRANS to enter into a borrowing arrangement with TRENTON wherein and thereby, among other things, TRANS was caused to borrow from TRENTON the sum of One Hundred Eighty-Two Thousand Five Hundred (\$182,500.00) Dollars in return for which TRANS was caused by said defendants to execute and deliver to TRENTON its corporate note in the sum of Two Hundred Forty-Two Thousand Five Hundred (\$242,500.00) Dollars bearing interest at the rate of six (6%) percent per annum.

18. By reason of the foregoing, TRIMS was caused to become indebted to TRENTON for the sum of Sixty Thousand (\$60,000.00) Dollars in excess of the amount actually borrowed by TRIMS from TRENTON. The said Sixty Thousand (\$60,000.00) Dollars was intended by the defendants to be a bonus or premium to TRENTON, and the same was illegal and a waste of the assets of TRIMS.

19. At the time of the transactions aforesaid, FEIN was and still is a principal in TRENTON by reason of owning, directly or indirectly, a controlling beneficial interest therein.

20. At the time of the transactions aforesaid, ROBINSON and one Bernard L. Green were directors of both TRIMS and TRENTON.

21. The transaction aforesaid between TRIMS and TRENTON were entered into and consummated for the personal benefit and aggrandizement of FEIN, ROBINSON, TRENTON and the said Bernard L. Green, and to the detriment of TRIMS.

22. From time to time, since on or about January 1st, 1960, FEIN has caused the stock of TRIMS to be issued at nominal, unfair and inadequate consideration to third parties whose names are not presently known to plaintiff, for the benefit of said defendant. Such issuance and sale of stock have been a waste of the assets of TRIMS and a dilution of the voting rights and equities of plaintiff and all other stockholders of TRIMS.

23. From time to time, since on or about January 1st, 1960, FEIN has caused to be purchased large quantities of the

issued and outstanding stock of TRANS under circumstances where the acquisition of said stock should have been for the benefit of TRANS instead of for his own benefit. During the said period of time, defendant has dealt with such stock and manipulated the same in such manner as to confer upon himself advantages and benefits which should have accrued to all of the stockholders of TRANS and to said Corporation itself.

24. Since on or about January 1st, 1960, FEIN has caused to be paid to himself and to associates of his, salaries, fees and commissions without due cause or justification therefor, the payment of which salaries, fees and commissions was never authorized by the Board of Directors of TRANS and constitutes a violation of FEIN's fiduciary duties and a waste and diversion of the assets of TRANS.

25. Plaintiff has no adequate remedy at law.

WHEREFORE, plaintiff demands judgment against defendants:

- (a) Requiring the rescission of the sale of the one-eighths working interest in the Sedalia gas properties;
- (b) Requiring the defendants to account for their profits, gains, benefits or emoluments obtained or secured by them by reason of the acts or transactions alleged herein;
- (c) Enjoining TRENTON from transferring, conveying, pledging, encumbering, mortgaging or commingling the assets of TRANS.

(d) Injoining the defendants and each of them from transferring, assigning, alienating, mortgaging or pledging any and all shares of stock unlawfully obtained by them since January 1st, 1960, or from voting any of such stock;

(e) Cancelling all shares of stock issued to the defendants or any of them or which, directly or indirectly, have unlawfully come into their ownership, possession or control since January 1st, 1960;

(f) Awarding to TRANS such damages as may be determined as having accrued as result of the unlawful and unauthorized activities of the defendants or the neglect of any of them of their fiduciary duties;

(g) Impressing a trust upon all shares of stock of TRANS or other property or assets improperly acquired by the defendants or any of them which this Court may determine to have been wrongfully misappropriated or diverted from TRANS.

(h) Requiring the Board of Directors to issue to the stockholders of TRANS a true and accurate financial statement of the affairs of the Corporation and, further, requiring the Board of Directors to call a meeting of stockholders, pursuant to law to elect a new Board of Directors;

(i) Awarding plaintiff the costs and expenses of this action, including reasonable counsel fees; and

(j) Granting such other and further relief as may be just in the premises.

KAUFMAN, TAYLOR, KIRKLAND & HILLMAN

By: *S/ Irvin H. Taylor*
Irvin H. Taylor

Attorneys for Plaintiff
41 East 42nd Street
New York, N. Y. 10017
BN 2-2933

STATE OF NEW YORK)
 : SS.:
 COUNTY OF NEW YORK)

B. EDWIN SACKETT, being duly sworn, deposes and says that he is the plaintiff in the within action; that deponent has read the foregoing complaint and knows the contents thereof; that the same is true to deponent's own knowledge, except as to the matters therein stated to be alleged on information and belief, and that as to those matters deponent believes it to be true.

/s/ B. Edwin Sackett

 B. EDWIN SACKETT

Sworn to before me
 this 12th day of
 August, 1965

 Notary Public

NOTARY PUBLIC
 JAMES H. HANCOCK
 125 N. 10th St., 10th Fl.
 New York, N.Y. 10017
 C. 676-1111
 125 N. 10th St., 10th Fl.

Exhibit C

Affidavit of
Irwin M. Taylor
sworn to on June 22, 1966

Defendants Trenton
Fein Ex.
No. **C**
SEP 1 1965
182

UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

B. EDWIN SACKETT,

Plaintiff,

- against -

65 Civ. 2500

TRANSCONTINENTAL OIL CORPORATION,
BERNARD FEIN, ROY L. KROPP, LEON
M. ROBINSON and TRENTON PRODUCTS
COMPANY,

AFFIDAVIT

Defendants.

STATE OF NEW YORK)
: SS.:
COUNTY OF NEW YORK)

IRWIN M. TAYLOR, being duly sworn, deposes and says:

I am a member of the firm of Kaufman, Taylor, Kimmel &
Miller, attorneys for the plaintiff herein.

This is an application for a determination by this Court,
pursuant to Rule 23(c) of the Federal Rules of Civil Procedure, of
the fairness and adequacy of the annexed stipulation of settlement
executed by the attorneys for the respective parties hereto.

This action was commenced by the service of a summons
and a complaint (a copy of which is annexed hereto as Exhibit "A")
on August 24, 1965.

This action was brought by plaintiff on behalf of him-
self and on behalf of all other stockholders derivatively for the

benefit of Transcontinental Oil Corporation (hereinafter referred to as "Trans"). As appears from the complaint, plaintiff is the owner of 70,000 shares of Trans, a corporation organized and existing under the laws of the State of Delaware and which has its principal place of business in the Southern District of New York. Trans has approximately 7,000 stockholders.

As will appear hereafter, Trans is presently without funds, faced with bleak financial prospects, burdened with debt and paralyzed by management that is unwilling or incapable of activating the corporation from its present dormant and moribund state.

The physical properties of the company consist of (a) a 65% working interest in the so-called Rangely oil property in Colorado, from which a steadily-declining income, now approximately \$2,000. per month, is being received (in previous years the income was considerably higher); and (b) five-eighths of the working interest in 18,775 acres of gas leases located at Sedalia in the Province of Alberta in the Dominion of Canada. Estimates of the proven reserves vary from 8- to 15-billion cubic feet. The property is not presently tied in with the Trans-Canada pipeline and no income is derived from this property.

Trans' shares are traded over-the-counter. The range of prices, as obtained from the National Daily Quotation Service, Eastern Section, has been:

	BID PRICES	
	HIGH	LOW
1963	.39	.15
1964	.45	.16
1965	.32	.14
<u>1966</u>		
January	.17	.15
February	.17	.16
March	.20	.17
April	.25	.20
May	.30	.25

Among other things, the complaint alleges that, since on or about January 1, 1960, defendant Fein has been and still is President and Chairman of the Board of Directors of Trans and, during this entire period, has exercised control over the Board of Directors of that company. The wrongdoing attributed to defendant Fein may be capsulized as follows:

- (a) His failure and refusal to call any meeting of stockholders of Trans since January 1, 1960, although the holding of annual meetings for this purpose is required by the applicable law of the State of Delaware and by the By-Laws of Trans itself;
- (b) His failure and refusal to convene meetings of the Board of Directors to conduct the affairs of Trans and, instead, his usurpation of the authority of the Board of Directors and the carrying on of the business of Trans without authority from such Board or from the stockholders;
- (c) His failure and refusal, since at least January 1, 1960, to furnish reports to the stockholders of Trans or to advise them of the financial condition of the corporation;
- (d) His willful failure to account to the stockholders for the income purportedly received by the corporation from its oil-producing properties located in Colorado and the neglect on the part of the said defendant to retain these oil properties in efficient operating condition or to develop and exploit their full potentialities;

- (e) The sale on or about April 11, 1960 to Trenton Products Company (hereinafter referred to as "Trenton") of three-eighths of Trans' working interest in certain gas leases located in Canada (known as the Sedalia property), together with 150,000 shares of the common stock of Trans for an aggregate price of \$60,000. when the fair and reasonable price was at least the sum of \$90,000.;
- (f) The payment by Trans to Trenton of a \$60,000. bonus in connection with a loan made by Trenton to Trans;
- (g) The issuance by Fein of the common stock of Trans to unidentified third parties for nominal, unfair and inadequate consideration;
- (h) The purchase by Fein of large quantities of the issued and outstanding stock of Trans under circumstances where the acquisition of such stock should have been for the benefit of Trans instead of for Fein's own benefit; and
- (i) The payment by Fein to himself and his associates of unauthorized salaries, fees and other remuneration without justification therefor or authorization thereof by the Board of Directors.

The complaint further alleges that Trenton was a corporation in which Fein was a principal and that he owned and exercised a controlling interest therein.

Service of the summons and complaint herein were effected only upon Trans itself and upon defendant Fein. The other defendants were not subject to process within this jurisdiction.

Trans and Fein both have appeared by Milton Paulson, Esq.; Trans has submitted its rights to the judgment of the Court while Fein has served a verified answer.

The answer of defendant Fein is essentially a general denial and, in addition thereto, said defendant affirmatively

alleges that during the period of his service as an officer of Trans he has received no compensation and that no meetings of stockholders have been called since January 1, 1960 because Trans did not have and still does not have sufficient funds available to pay for the cost and expense incident to the holding of a meeting of its stockholders or to pay for the furnishing of reports to them. His answer further alleges that such income as Trans did derive from its operating oil properties was pledged as security for the payment of its debts and obligations while its gas leases in Canada were pledged as security for the payment of the obligations incurred by Trans in connection with the purchase of such gas properties.

In aid of the litigation before this Court, the plaintiff made application to the Chancery Court of the State of Delaware--where Trans is incorporated--for an order requiring the corporation to call a meeting of its stockholders for the election of directors. That application was presented to the Chancery Court on August 9, 1965 and Vice-Chancellor Short ordered that a notice of election be mailed to all stockholders on or before August 30, 1965 for a meeting to be held on the first business day after the expiration of twenty days following the date of the notice of election. Although Trans was duly served with a certified copy of the Court's order on August 9, 1965, it failed to appear or comply with the order. Thereupon the plaintiff made further application to the said Chancery Court for an order appointing a Master to hold a meeting of the stockholders of Trans. Accordingly, on September 8, 1965, Vice-Chancellor Short appointed one Robert

High, Esq. of Wilmington, Delaware, as Master, under the provisions of Sections 224 and 227(b) of 8 Del. Code and the Rules of the said Chancery Court, to call and hold a meeting of stockholders of Trans for the purpose of electing directors. The Vice-Chancellor required, among other things, that Trans file with the Register in Chancery a bond to the State of Delaware with corporate surety thereon in the amount of \$5,000. for the payment of all costs of the designated election, including the costs of proceedings before the Chancery Court and the fees of the Master.

Following service of the said order upon Trans, defendant Fein, as President of Trans, made application to the said Chancery Court (a) to vacate the order directing Trans to call a meeting of stockholders for the purpose of electing directors and (b) to modify the subsequent order appointing Robert High, Esq., as Master to call and hold such meeting of stockholders. The said application of Mr. Fein contended that the failure to comply with the orders of the Vice-Chancellor--like the failure in preceding years to hold meetings of stockholders--was not arbitrary or wilful, but stemmed from the circumstance that Trans was then and had been for the past six or seven years wholly without funds or income with which to pay the expense of calling and holding a meeting of its approximately 7,000 stockholders. Moreover, Mr. Fein stated under oath that it was unable to furnish a list of stockholders, directly or indirectly, to the Master because Trans did not have such a list of stockholders and did not have funds to defray the cost of compiling such a list. He stated that for some years Texas Bank and Trust Company of Dallas, Texas, had acted as transfer agent of Trans and it alone had possession of

the stock transfer books of Trans and the stencil cards containing the names and addresses of the stockholders. Since July 15, 1965, that transfer agent had withdrawn its services to Trans because there was unpaid to it approximately \$12,000. for accrued transfer fees. That transfer agent refused to return the stock records unless the past due indebtedness was paid to it.

The foregoing application made by Mr. Fein was not actually heard by the Court. Upon receipt of a copy of his sworn affidavit in support of his application, my client and I undertook some independent verification of the financial facts adduced by Mr. Fein in mitigation of the charges levelled against him in our complaint. This investigation lent some substance to his position that there was no active wrong-doing on his part but rather a chronic inactivity resulting from lack of funds. This latter factor appeared to explain the breakdown in communication with stockholders.

Hoping I might succeed where Mr. Fein had failed, I communicated with the transfer agent for the purpose of enlisting its cooperation to the limited extent of furnishing the plaintiff a list of the stockholders so that the Master might call the meeting. This effort, like the prior effort by Mr. Fein, was entirely without success. The transfer agent was insistent upon payment of all accrued arrears of transfer fees before making any records available to Trans or to the Master appointed by Vice-Chancellor Short.

Confronted with this impasse, a proposal emerged from discussions held by Milton Paulson, Esq. and myself to consider

the possibility of Mr. Fein's yielding up his financial interest in the corporation to plaintiff and simultaneously surrendering working control of Trans. This proposal led to lengthy, extensive and searching negotiations to find a fair and reasonable basis upon which the plaintiff might buy out Mr. Fein who would then yield his position of control of Trans to the plaintiff. Plaintiff recognized that were such a transaction concluded with Mr. Fein then he would commit himself to this Court to call a meeting of the stockholders of Trans within a reasonable period of time thereafter to elect a Board of Directors and otherwise revive the normal corporate administrative processes. During the negotiations for settlement, it further appeared that the dormant character of Trans' existence during these past several years stemmed from the fact that not only was Trans without any unencumbered income but in addition Trans was heavily in debt because Fein and Trenton had both advanced substantial amounts of money to Trans to finance:

- (a) The acquisition by Trans in 1960 of 100% of the working interest in 18,775 acres of gas leases located at Sedalia in the Province of Alberta in the Dominion of Canada, for a purchase price of \$242,500.

Trans had not had the funds necessary to consummate the transaction and Fein claims that he was able to secure the monies by inducing one Bernard L. Green, Esq., a practicing New Jersey attorney who was also his friend, to organize Trenton and have it provide the monies for the purchase. Purportedly, Trenton obtained its funds from Mr. Green and certain of his clients and then these monies were loaned to Trans under an agreement which provided that Trans would, upon acquisition of the aforementioned Canadian gas properties, as security for the loan, assign to Trenton these properties and 75% of the income of Trans after the payment of a certain first mortgage on the Colorado oil properties owned by Trans. In order to consummate the transaction, the amount actually loaned by Trenton was \$220,000. while Fein appears to have advanced the balance of \$22,500. and it is claimed that, in addition, he personally loaned Trans

about \$15,000. more to cover various other expenses which had to be paid at or prior to the closing of the transaction. It appears further that a fraud was perpetrated upon Trans and indirectly upon Trenton and Fein by certain of Fein's predecessor officers in Trans and by the sellers and broker involved in the transaction as well, the principal malefactor having been one Burkinshaw. Upon the discovery of the multifold fraud, Trenton unsuccessfully offered to rescind the entire transaction with Trans and the sellers and thus secure the return to Trenton of the monies it had loaned to Trans. Trenton succeeded only in having Burkinshaw convey to Trenton 350,000 shares of Trans stock owned or controlled by him. With Trans devoid of monies with which to repay the loan, Trenton declared such loan in default.

- (b) Costly litigation arising in part from the claims of fraud involved in the aforementioned Sedalia gas property acquisition, the defense of foreclosure proceedings commenced against Trans' Colorado oil properties and other litigation in the State of New York

Annexed hereto as Exhibit "B" is a copy of a lengthy opinion by Hon. Jacob Markowitz in the action entitled "Anglo-Pacific Oil & Gas, Ltd. v. Transcontinental Oil Corporation," New York Law Journal, March 30, 1964, which is expository of the tangled legal and financial problems from which Fein contends it became necessary to extricate the corporation.

It is claimed by Fein that he undertook personally to finance the extensive and expensive litigations in which Trans became involved and to meet other urgent expenses as well. The aggregate of personal loans and advances by him for these purposes, and while its only income-producing property in Colorado was in receivership, eventually totalled \$57,972.26. Annexed hereto as Exhibit "C" is a schedule of the loans and advances claimed to have been made by Fein to Trans for the purposes indicated. These loans and advances have all been repaid to him.

As to the \$242,500. loaned by Trenton and by Fein personally in connection with the purchase of the Sedalia gas properties (as described in Subparagraph (a) hereinabove), the balance still owed thereon, with accrued interest, is presently \$225,460.72. It should be mentioned further that Fein has stated under oath that the various frauds committed by other third parties (the

subject matter of the litigation described in Judge Markowitz's opinion, Exhibit "B") in connection with the acquisition of the Sedalia gas properties not only jeopardized the investment made by Trenton, but proved to be a source of great embarrassment to him and to Mr. Green. It is contended by Fein that although he did not feel legally obligated in any way, he recognized that he had a strong moral responsibility to Mr. Green and to Mr. Green's clients, with the result that he agreed personally to take over the investment of those clients in Trenton. Consequently, he paid out additionally approximately \$140,000. of his own monies to Mr. Green's clients and thereby took over the ownership and control of Trenton. As security for the payment of the remaining debt, Trenton has held and now holds all of the right, title and interest of Trans in the Colorado oil properties and in the Sedalia gas properties.

The present financial situation of Trans is grim. In substance, it appears that Trans presently has only about \$170. in cash, and is the owner of the oil leases in Colorado and the shut-in gas wells in Sedalia (more fully described hereinabove), all of which have been pledged as security for the defaulted loans made by Trenton. In addition, the corporation holds judgments of approximately \$643,000. against certain third parties in connection with frauds perpetrated upon Trans (see Exhibit "B") but these judgments are of very doubtful collectability and are believed to be worthless.

The liabilities of Trans consist of the sum of \$225,460.72 owed by Trans to Trenton, as hereinabove set forth.

and approximately \$75,000. more to other creditors, some of whom have reduced their claims to judgment or are about to do so.

If this lawsuit were successfully prosecuted through actual trial to judgment, the tangible benefits for Trans could not comprise more than what the settlement herein proposed will certainly obtain for Trans. More likely, the benefits to be derived from continuing and prolonging this litigation would be significantly less, and if ever obtained at all they would most likely be too little and too late for this corporation which now teeters on the verge of insolvency.

Parenthetically, it might be observed that, aside from Fein, there is no other defendant before the Court who could be looked upon as a malefactor and from whom there could be any recovery in this action. A realistic agreement of settlement necessarily and logically requires the substitution of fresh money and new, vigorous management for the present controlling management which has had no interest or desire to undertake a constructive policy of effective utilization of the assets of the corporation on behalf of its stockholders.

The plaintiff has interested a number of other people to join him in buying out Fein and Trenton and providing Trans with the required new working capital and new management.

Accordingly, the parties have entered into an agreement, a copy of which is annexed hereto as Exhibit "D". In substance it provides as follows:

- (a) Payment by plaintiff to Fein and Trenton of the sum of \$157,500. Out of this sum, Fein will cause to be settled and satisfied the claim for legal fees of one Louis C. Fieland, Esq., in the amount of \$35,000. for services rendered to Trans in the litigation described in Exhibit "B";
- (b) The assignment by Fein and Trenton to the plaintiff, individually and as nominee, of all of the said legal, equitable and beneficial interest which Fein and Trenton now have in the property and assets of Trans, as follows:
1. The Trans indebtedness of \$242,500., reduced to \$225,460.72, as of June 1, 1966;
 2. 150,000 shares of the common stock of Trans originally delivered by Trans to Trenton as an inducement to the making of the \$220,000. loan for the acquisition of the Sedalia gas properties;
 3. 350,000 shares of the common stock of Trans which had come into the possession of Trenton when it discovered that it had been defrauded by the fraud perpetrated by one Burkinshaw, who had preceded Fein as president of the company, in connection with the transaction which had induced Trenton to lend \$220,000. to Trans to acquire the Sedalia properties, these 350,000 shares having been turned over to Trenton by Burkinshaw when Trenton had threatened suit against Burkinshaw (see pp. 8-9, above);
 4. The two-eighths working interest in the Sedalia gas field held by Trenton, pursuant to the original financing arrangements whereby the monies advanced by Trenton and Fein enabled Trans to acquire the five-eighths working interest of Trans in the Sedalia gas field. At the time of the said financing arrangements of April 11, 1960, Trans was enabled to purchase eight-eighths of the working interest in the Sedalia gas fields, three-eighths of which were simultaneously transferred to Trenton and Trenton in turn transferred one-eighth to Anglo-Pacific Oil and Gas Company Ltd. (hereinafter referred to as "Anglo") for 150,000 shares of common stock of Trans then owned by Anglo; Anglo subsequently mortgaged this one-eighth interest and, since May 26, 1965, Trans has been the assignee of said mortgage, which mortgage at the date hereof is in default; and
 5. The aforesaid 150,000 shares of common stock of Trans acquired by Trenton from Anglo.

The plaintiff, individually and as nominee, proposes and commits himself--separate and apart from the aforementioned agreement with Fein and Trenton--to assign to Trans the property described in Items "4" and "5" above.

The resulting effect of the payment by the plaintiff and his associates of the sum of \$187,500. in cash to Fein and Trenton is to substitute the plaintiff and his associates for Fein and for Trenton vis-a-vis Trans, with the further benefits to Trans as follows:

- [1] The recovery of a two-eighths working interest now held by Trenton, as aforesaid;
- [2] The recovery of 150,000 shares of the common stock of Trans, also now held by Trenton;
- [3] The discharge of the \$35,000. claim for legal fees held by Louis C. Fieland, Esq.;
- [4] The release by Fein of \$60,000. in salary claims payable to him by Trans since August 1960;
- [5] The introduction of new, vigorous and determined management to get Trans moving once again as a viable and profitable corporation;
- [6] The furnishing to Trans of new working capital as hereinafter set forth.

THE BENEFITS OF THE PROPOSED SETTLEMENT TO TRANS

1. The recovery of a two-eighths working interest in the Sedalia gas properties now held by Trenton

In 1960 when Trans first acquired the Sedalia gas properties, it paid \$242,500. for eight-eighths of the working interest, but it immediately surrendered three-eighths thereof

in order to obtain the necessary financing. In terms of the original acquisition price, the proposed recovery of a two-eighths working interest, as part of the within-proposed settlement, constitutes recovery, in monetary terms, of more than \$60,000. It will give Trans seven-eighths of the entire working interest. By reason of the facts described in Subparagraph 4. on Page 12 hereinabove, Trans will in all likelihood acquire the remaining one-eighth of the working interest.

2. The recovery of 150,000 shares
of the common stock of Trans

The stock of Trans is traded over the counter. In 1960--when this particular block of stock was transferred to Trenton as consideration for the sale by it to Anglo in exchange for a one-eighth working interest in the Sedalia gas fields-- the market price of such stock ranged from 63¢ to 70¢ per share; the current range of that common stock has been approximately 20¢ bid to 30¢ asked per share. Thus, the value of the recovery of this block of 150,000 shares, in present terms, must be approximately \$37,500.

3. The discharge of \$35,000. claimed by
Louis C. Fieland, Esq. for legal fees

It appears that Mr. Fieland rendered legal services on behalf of Trans in the litigation above referred to and which is described in Exhibit "B". He has made claim for \$35,000. as the reasonable value thereof. Fein is to furnish Trans with a release of this claim.

4. The waiver by Fein of \$60,000.
in salary claims

Fein received no compensation as president of the company. He claims his services were worth at least \$10,000. annually since August 1960. By the terms of the agreement, he releases Trans of these claims.

5. The introduction of new management

While the plaintiff has been interested in Trans and has prosecuted the instant litigation because he has been a long-time substantial stockholder in Trans, it is now his intention to assume an active management role in Trans for the purpose of maximizing the utilization of its assets in the Colorado oil properties and in the Sedalia gas fields. Plaintiff has outstanding management credentials to present. A resume is annexed hereto as Exhibit "E".

Moreover, as appears in Paragraph SEVENTH (b) of the agreement, the plaintiff will cause to be held a meeting of the stockholders of Trans within 90 days after the closing of the transaction with Fein and Trenton, for the purpose of holding an election of new directors of Trans. This should go far toward revitalizing the corporation.

6. The furnishing to Trans
of new working capital

Before describing this vital issue of working capital, of which Trans has none whatsoever at the present time, it would be appropriate here to describe Trans' debt position. First, there is the long-defaulted loan, payable to Trenton and/or Fein

upon which principal and accrued interest on June 1, 1966 amounted to \$225,460.72. In the event this settlement is approved by the Court and the plaintiff and his associates are installed in control of the corporation, a new note in the then balance of Trans' indebtedness to Trenton (approximately \$225,000.) will be issued to the plaintiff, payable in five years and bearing interest at the present rate of 6% per annum. The note will be collateralized, as the existing defaulted note has been, by the assets of Trans, namely the Rangely oil properties and the Sedalia gas fields. Trans will not be required to make any payments on account of principal until after three years have elapsed, at which time 10% of the principal amount will be due; at the end of the fourth year a further 10% of the principal amount will be due; and at the end of the fifth year, the balance of the principal amount will be due.

Second, there are other debts payable by the corporation, approximating \$40,000., which will have to be discharged after settlement has been made. These consist of:

Texas Bank and Trust Company (the transfer agent).	\$12,040.00
Buchman & Buchman (legal fees).	10,000.00
Harold Putterman & Co. (accounting fees)	10,000.00
Sol Smith (consulting services)	1,200.00
Judgment of record (plus interest at 8% from 3/28/61)	5,144.26
Miscellaneous. (approx.)	500.00

The discharge of these debts, obviously, can only come from fresh monies which the plaintiff and his associates will make available to Trans in the form of working capital. Other working capital will be needed for deepening existing wells on

the Rangely properties as well as drilling new ones. This work and provision for repair of equipment and other maintenance expenses will require approximately \$25,000. Building a gathering system on the Sedalia gas fields and hooking up to the Trans-Canada pipeline will require additional working capital which will be financed partly by funds provided by the plaintiff and partly by local bank financing in Canada.

The aggregate working capital thus needed by Trans to discharge the aforementioned indebtedness; maintain, improve and activate the Rangely oil wells; and turn the Sedalia gas fields into an income-producing asset is estimated to be as much as \$135,000.

The plaintiff, on behalf of himself and his associates, will state to this Court that it is his and their intention to furnish up to \$200,000. for the purposes indicated, for which they will request the Trans Board of Directors to issue convertible ten-year 4% debentures at a conversion price of 25¢ per share-- the par value of such stock and also the present approximate market price of that stock.

The plaintiff and his associates recognize that the future of Trans is uncertain, but they would not be making the substantial investment they propose to make in this transaction if they did not believe that the speculative aspects are balanced in some measure by the promise of eventual success.

The proposed settlement is a conscientious and imaginative disposition of the present litigation. If approved by the

Court, it will permit the plaintiff and his associates to rouse the corporate body from deteriorating slumber which has characterized it during the period of its control by defendant Fein. It offers to the stockholders the potentialities for eventually turning their stock into dividend-yielding assets. I firmly believe that the proposed settlement is desirable and merits the consideration and approval of this Court.

Annexed hereto is a form of proposed notice, pursuant to Rule 23(c) of the Federal Rules of Civil Procedure, which is intended to advise the stockholders of Trans of the proposed settlement. It has been requested by counsel for the parties herein that notice of this settlement be given by newspaper advertising rather than by printing and mailing because (a) the lists of stockholders are in the custody and control of Texas Bank and Trust Company, the transfer agent, as hereinabove described and access to those lists cannot be presently had unless payment be made to that transfer agent of the \$12,000. debt presently owed to it. Trans does not have those funds and the plaintiff can hardly be expected to pay that debt in advance of any settlement herein; and (b) the costs of printing and mailing to the 7,000 stockholders of Trans would be disproportionately large bearing in mind the penniless state of Trans' treasury and the circumstances of the present settlement.

Sworn to before me this
21st day of June 1966.

s/ Irwin M. Taylor
Irwin M. Taylor

Company Name	Address	Phone	Telex	Radio
Amstar Ltd. "A" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "B" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "C" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "D" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "E" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "F" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "G" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "H" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "I" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "J" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "K" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "L" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "M" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "N" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "O" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "P" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "Q" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "R" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "S" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "T" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "U" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "V" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "W" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "X" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "Y" Listed Wmipeg.	4-20-61	61 311	61 311	
Amstar Ltd. "Z" Listed Wmipeg.	4-20-61	61 311	61 311	

Exhibit D

Release of Bernard Fein by
Transcontinental dated
August 12, 1966

To all to whom these Presents shall come or may Concern,

Greeting: KNOW YE, That

II D (1)

TRANSCONTINENTAL OIL CORPORATION,

a corporation organized and existing under and by virtue of the laws of the State
of Delaware,

for and in consideration of the sum of

-----ONE AND NO/100-----dollars (\$ 1.00-----)

lawful money of the United States of America and other good and valuable consideration
to it in hand paid by

BERNARD FEIN,

the receipt whereof is hereby acknowledged, has remised, released and forever discharged, and by
these presents does for itself and its successors, remise, release and forever discharge the said

BERNARD FEIN, his

heirs, executors and administrators, successors and assigns of and from all manner of actions, causes of
action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, con-
tracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions,
claims and demands whatsoever, in law, in admiralty, or in equity, which against

BERNARD FEIN

it ever had, now has or which it or its successors hereafter can, shall or may have for, upon or by reason
of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these
presents, with respect to all claims or causes of action arising from,
connected with, or related to any of the matters or transactions
alleged in the complaint in an action in the United States District
Court for the Southern District of New York entitled B. Edwin Sackett,
plaintiff, v. Transcontinental Oil Corporation et al., defendants,
65 Civ. 2500.

This release may not be changed orally.

In Witness Whereof, the said

TRANSCONTINENTAL OIL CORPORATION

has caused its corporate seal to be hereunto affixed and these presents to be signed by its duly authorized
officer on the twelfth day of August 19 66.

(Corporate Seal)

TRANSCONTINENTAL OIL CORPORATION

By

[Signature]

State of NEW YORK }
County of NEW YORK } ss.:

On the twelfth day of August

19 66 before me personally came

B. Edwin Sackett to me known, who, being by me duly sworn, did
depone and say that he resides at Dearfield Lane, Greenwich, Connecticut,

that he is the President of Transcontinental Oil Corporation,
the corporation described in, and which executed, the foregoing instrument; that he knows the seal of
said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by
order of the board of directors of said corporation; and that he signed his
name thereto by like order.

Defendants Trenton &
Fein Ex.

No.

D

[Signature]
Notary Public State of N.Y.
Comm Expires 2/3/68

Exhibit E

Release of Trenton
by Transcontinental
dated August 12, 1966

TO ALL TO WHOM THESE PRESENTS SHALL COME OF ANY SORT,
Greeting: KNOW YE, That

II D (11)

TRANSCONTINENTAL OIL CORPORATION,
a corporation organized and existing under and by virtue of the laws of the State
of Delaware, for and in consideration of the sum of
-----ONE AND NO/100-----dollars (\$1.00-----)
lawful money of the United States of America and other good and valuable consideration
to it in hand paid by

TRENTON PRODUCTS COMPANY,

the receipt whereof is hereby acknowledged, has remised, released and forever discharged, and by
these presents does for itself and its successors, remise, release and forever discharge the said

TRENTON PRODUCTS COMPANY, its

~~heirs, executors, administrators, successors and assigns of and from all manner of actions, causes of~~
action, suits, debts, dues, sums of money, accounts, reckoning, bonds, bills, specialties, covenants, con-
tracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions,
claims and demands whatsoever, in law, in admiralty, or in equity, which against

TRENTON PRODUCTS COMPANY

It ever had, now has or which it or its successors hereafter can, shall or may have for, upon or by reason
of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of these
presents, with respect to all claims or causes of action arising from,
connected with, or related to any of the matters or transactions
alleged in the complaint in the action in the United States District
Court for the Southern District of New York entitled B. Edwin Sackett,
plaintiff v. Transcontinental Oil Corporation et al., defendants,
65 Civ. 2500.

This release may not be changed orally.

In Witness Whereof, the said

TRANSCONTINENTAL OIL CORPORATION

has caused its corporate seal to be hereunto affixed and these presents to be signed by its duly authorized
officer on the twelfth day of August 1966.

(Corporate Seal)

TRANSCONTINENTAL OIL CORPORATION

By B. Edwin Sackett, Per

State of NEW YORK
County of NEW YORK

} ss.:

On the twelfth day of August
B. Edwin Sackett

1966 before me personally came

to me known, who, being by me duly sworn, did
depone and say that he resides at 412 Dearfield Lane, Greenwich, Connecticut,

that he is the President of Transcontinental Oil Corporation,
the corporation described in, and which executed, the foregoing instrument; that he knows the seal of
said corporation; that the seal affixed to said instrument is such corporate seal; that it was so affixed by
order of the board of directors of said corporation; and that he signed his
name thereto by like order.

Defendants Trenton &
Fein Ex.

No.

E

Debra M. Jacob
Notary Public / State of N.Y.
Comm. expires 3/30/66

Exhibit F

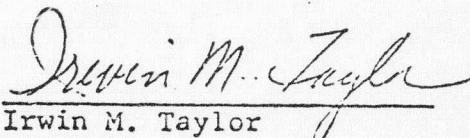
Resolution of Board of Directors
of Transcontinental
dated August 12, 1966

The undersigned Secretary of Transcontinental Oil Corporation, a Delaware corporation, does hereby certify that at a meeting of its Board of Directors, duly called and held on the 12th day of August 1966 at which meeting a quorum was present and in attendance throughout, the following resolutions were adopted and have remained in full force and effect:

RESOLVED that the Corporation release Bernard Fein and Trenton Products Company from any and all liability to the Corporation with respect to all claims or causes of action arising from, connected with or related to any of the matters or transactions alleged in the complaint in the action in United States District Court for the Southern District of New York entitled "B. Edwin Sackett, plaintiff, against Transcontinental Oil Corporation et al., defendants," bearing File No. 65 Civ. 2500;

FURTHER RESOLVED that the President be and hereby is authorized to execute and deliver a release in proper form to Bernard Fein and Trenton Products Company in the form annexed to the minutes of this meeting.

Dated: New York, New York
August 12, 1966


Irwin M. Taylor
Secretary

Defendants Trenton &
Fein Ex.

No.

F

Exhibit G

Order and Judgment of
Hon. H. R. Tyler, Jr., D.J.
in Sackett v. Transcontinental Oil Corp., et al.
dated July 12, 1966

UNITED STATES DISTRICT COURT FOR
THE SOUTHERN DISTRICT OF NEW YORK

----- x
B. EDWIN SACKETT,

Plaintiff,

- against -

65 Civ. 2500

TRANSCONTINENTAL OIL CORPORATION,
BERNARD FEIN, ROY L. KROPP, LEON
M. ROBINSON and TRENTON PRODUCTS
COMPANY,

ORDER AND JUDGMENT

Defendants.
----- x

This Court having, by order to show cause, dated June 22, 1966, brought by plaintiff herein, ordered a hearing to be held on the 12th day of July 1966 for the purpose of determining whether the settlement of this action, as provided in the stipulation of settlement annexed hereto, should be approved by this Court, and

Said order having directed that notice of said hearing, in substantially the form annexed to the said order, be inserted as an advertisement in The New York Times on or before June 29, 1966, and said notice having contained a concise summary of the details of said stipulation of settlement, and

Said hearing having been duly held in open court on the 12th day of July 1966, the Court having heard Irwin M. Taylor, Esq. of the firm of Kaufman, Taylor, Kimmel & Miller, attorneys for plaintiff herein, and Milton Paulson, Esq., attorney

Defendants Trenton &
Fein Ex.

No. C /

Common Expenses 11/17/66

for defendants Transcontinental Oil Corporation and Bernard Fein, both in support of the proposed settlement, and

No stockholder of Transcontinental Oil Corporation having appeared or expressed any opposition to the proposed stipulation of settlement and discontinuance, after opportunity having been granted by the Court to express any such opposition or to take any position with respect to said matters, and

After reading and filing the aforesaid order to show cause, dated June 22, 1966; the affidavit of Irwin M. Taylor, sworn to the 22nd day of June 1966; the stipulation of settlement, dated June 22, 1966; the notice to stockholders of Transcontinental Oil Corporation; the affidavit of Herbert F. Brown, sworn to the 25th day of June 1966, attesting to the publication in The New York Times on the 25th day of June 1966 of the aforementioned notice to stockholders of Transcontinental Oil Corporation; the agreement, dated June 22, 1966, among Trenton Products Company, Bernard Fein and B. Edwin Sackett; the pleadings herein and the exhibits annexed thereto; and all the papers filed and prior proceedings had herein, and defendants Roy L. Kropp, Leon M. Robinson and Trenton Products Company not having been served, and

Due deliberation having been had, and the Court having determined that the proposed settlement and discontinuance of the action herein are both fair and in the interests of Transcontinental Oil Corporation.

It is, therefore,

ORDERED, ADJUDGED AND DECREED that the stipulation of settlement between the plaintiff, on the one hand, and defen-

Copy expires 7/1/67

dants Transcontinental Oil Corporation and Bernard Vein, on the other hand, dated June 22, 1966, be and the same is hereby approved by this Court as fair and adequate under the circumstances, and the parties to such stipulation are hereby directed to proceed to its consummation in accordance with its terms; and it is further

ORDERED, ADJUDGED AND DECREED that the complaint herein be and the same is hereby dismissed, with prejudice, as against all named defendants, without cost to any party as against any other party, and the said defendants be and are hereby released from any claim or cause of action whatever arising or which may arise out of or in connection with any matter or transaction referred to in the complaint herein; and it is further

ORDERED, ADJUDGED AND DECREED that this Court shall retain jurisdiction over (1) all steps contemplated by the said stipulation of settlement and the effectuation thereof, and (2) the payment of fees for the attorneys for plaintiff.

Dated: New York, New York
July 12, 1966.

s/ H. R. Tyler, Jr.
U. S. D. J.

The undersigned consents to the settlement and entry of the order set forth hereinabove, without further notice.

Dated: New York, New York
July 12, 1966

s/ Milton Paulson
MILTON PAULSON
Attorney for defendants
Transcontinental Oil
Corporation and Bernard
Vein.

JUDGMENT ENTERED 7/13/66
John J. O'Lear, Jr.
Clerk

Exhibit J

Agreement dated April 11, 1960,
between Trenton and Anglo-Pacific
extracted from defendants' Exhibit J

EXTRACTED FROM
DEFENDANTS' EX. J

Agreement made this 11th day of April 1960, by and between TRENTON PRODUCTS COMPANY, a New Jersey corporation, hereinafter called the "First Party" and ANGLO PACIFIC OIL & GAS LTD., a Canadian corporation, hereinafter called the "Second Party".

W I T N E S S E T H:

WHEREAS, there is a certain option dated March 15, 1960 between James R. McCreary and O.V. Burkinshaw as agent and nominee for the Second Party pursuant to which certain rights in and to certain oil and gas properties in the Sedalia area of the Province of Alberta, Canada, are to be purchased; and

WHEREAS, pursuant to an agreement executed this day by the First Party with Transcontinental Oil Corporation, the First Party is to receive a three/eighths interest in the properties being purchased pursuant to the aforesaid option agreement; and

WHEREAS, the First Party is desirous to sell and the Second Party is desirous to purchase one-eighth interest in the said properties, for the 150,000 shares of treasury stock of Transcontinental Oil Corporation owned by the Second Party,

NOW, THEREFORE, in consideration of One (\$1.00) Dollar and other good and valuable considerations, it is mutually agreed as follows:

1. The First Party hereby agrees to sell and the Second Party agrees to purchase one-eighth (1/8) interest in the certain oil and gas properties in the Sedalia area of the Province of Alberta, Canada, above referred to, for 150,000 shares of treasury stock of Transcontinental Oil Corporation owned by the Second Party.

2. Such purchase and sale pursuant to paragraph 1 hereof, shall take place immediately upon the consummation of the option agreement above referred to. In the event such option agreement is not consummated for any reason whatsoever, then and in such event this agreement is to be terminated for all purposes and there shall be no obligation to either the First Party or the Second Party pursuant to this agreement.

IN WITNESS WHEREOF, the parties hereto have hereunto signed this instrument the day and year first above written.

TRENTON PRODUCTS COMPANY

By C. H. M. M. M. M.

ANGLO PACIFIC OIL & GAS LTD.

By C. H. M. M. M. M.

Exhibit K

Bill of Sale dated
March 22, 1961
from Transcontinental to Trenton

TRANSCONTINENTAL OIL CORPORATION
1732 LIFE OF AMERICA BUILDING
DALLAS 2, TEXAS

DATE March 22 1951

To

TRENTON PRODUCTS COMPANY
% Bernard L. Green, Esq.
Broad Street Bank Bldg.
Trenton, N.J.

P1's
Exh. b. + 9

For Value Received, we have this date sold to you Five Hundred Fifty Thousand (570,000) shares of stock of Transcontinental Oil Corporation held by us as collateral on a note of Anglo-Pacific Oil & Gas Corp'n in the sum of \$39,043.50, which said note is in default.

We hereby represent and warrant 1) that no payments have been received on account on said note, 2) that the note is due and payable, and 3) that the undersigned holder of said note and collateral has full authority to sell said security by private sale.

TRANSCONTINENTAL OIL CORPORATION

By

Bernard L. Green
President.

Defendants Trenton &
Fein Ex.

No.

K

Exhibit L

Letter dated
August 13, 1960
from Transcontinental
to Bernard L. Green

TRANSCONTINENTAL OIL CORPORATION
P.O. Box 417, Bingley, Colorado.

217

August 13, 1961

Mr. Bernard L. Green
Trenton Products Company
Broad Street Bank Bldg.
Trenton, N.J.

*Plaintiff
Ex 11 paid*

Dear Mr. Green:

The following summarizes our understanding on the situation involving the default on the loan of \$242,000 by us from Trenton Products.

1. Trenton Products has failed to give the security provided for in the loan agreement. The prior management of this company fraudulently transferred such assets to others in violation thereof.

2. Trenton Products will support the management of this company in any litigation to secure the return of such assets. If successful therein, such assets will be transferred to Trenton Products to further secure its loan.

3. Pending the conclusion of this matter in a manner satisfactory to you, Trenton Products shall have no obligation whatsoever in relation to support of the S. Halla Gas property until the gas therein shall be connected to a gathering system and be sold. Thereafter, Trenton's share of such gas shall be charged with the operating costs applicable to its interest.

4. Trenton Products shall be entitled to receive from us, such additional shares of our company as we are able to recover from the former management and control of the company, together with such shares as may be held in the Treasury of this company, as partial recoupment of the damages sustained by you arising out of the failure of this company to perform its obligations, and without further obligation. While it is recognized that such shares have no value at this time due to the condition of the company, it is hoped that forbearance by you may result in this company being restored to viable condition in the immediate future.

5. We concede the insolvency of this company at this time. Nevertheless, it is our understanding that so long as you co-operate with you, that you will forego any effort to collect the \$242,000. owed to you at this time with interest, and that you will co-operate in an effort to keep this company alive.

Very truly yours,

TRANSCONTINENTAL OIL CORPORATION

By *Bernard Fein*
Bernard Fein, President

BF:e

Defendants Trenton &
Fein Ex.

No.



clearer Copy Attached

Exhibit NN

Letter dated June 7, 1960
from Buchman & Buchman, Esqs.,
to Orville Burkinshaw, with a
form of a note and a resolution,
both dated December 31, 1959, appended

1/2/60
LAW OFFICES
BUCHMAN & BUCHMAN

HENRY J. BUCHMAN
ABRAHAM M. BUCHMAN

219 Hudson St.
MURRAY HILL 6-3221

Left Trenton Ed 18 J. 18
9/25/61-J. 18

292 MADISON AVENUE
NEW YORK 17, N. Y.

June 7, 1960

Mr. Orville Burkinshaw
527 47th Avenue S.W.
Calgary, Alberta,
Canada

Dear Orville:

There are enclosed herewith the form of a note and a resolution which are to be executed on behalf of Anglo Pacific Oil & Gas Ltd., pursuant to discussions held at our last meeting in New York.

It is important that these papers be executed immediately and returned together with the stock certificates for 500,000 shares of Transcontinental Oil stock with appropriate stock powers, so that the books can be closed for Transcontinental for the period ending December 31, 1959.

There seems to be some misunderstanding as to the whereabouts of the books of the corporation. Since the policy of the board of directors was to have the books kept in New York, our office has been contacted for information with regard to the books. As far as we know the books have not been left at this office and we would appreciate advice from you as to where the books are at the present time.

There were some other items that you were supposed to have taken care of and it would be appreciated if you would expedite the closing of all outstanding transactions.

Very truly yours,

ABRAHAM M. BUCHMAN
FOR BUCHMAN & BUCHMAN

AMB:MW

encls.

Defendants Trenton &
Fein Ex.

No.

NN

\$39,043.50

December 31, 1959

We promise to pay to the order of TRANSCONTINENTAL OIL CORPORATION on demand, the sum of Thirty-nine thousand forty-three dollars and fifty cents (\$39,043.50), payable at Manufacturers Trust Company, 510 Fifth Avenue, New York, N. Y., with interest thereon at the rate of six (6%) percent per annum.

As collateral security there is pledged herewith 500,000 shares of stock of Transcontinental Oil Corporation owned by us.

That in the event a demand is made for payment of this note and such payment is not forthcoming within ten (10) days from the date of such demand, then and in such event Transcontinental Oil Corporation shall have the right to sell any portion or all of the securities pledged hereinabove, at public or private sale, provided Transcontinental Oil Corporation gives ten (10) days' written notice to the maker hereof of such intended sale, and provided that in the event any proceeds of such sale exceed the total of the amount owing with interest to the date of sale, that such excess over the said total amount shall be turned over to the maker of this note.

Value received.

ANGLO PACIFIC OIL & GAS LTD.

By

Orville V. Burkinshaw, President

D. Stanley Stern, Secretary

12/31/59

The following should be incorporated in the Minutes of the Corporation, and a certified copy thereof, forwarded with the note herewith enclosed and to be executed:

WHEREAS, there have been certain sums of money advanced by TRANSCONTINENTAL OIL CORPORATION on behalf of ANGLO PACIFIC OIL & GAS LTD. and as a result of such advances there is now due and owing the sum of \$39,043.50 to TRANSCONTINENTAL OIL CORPORATION,

NOW, THEREFORE, IT IS RESOLVED that there be issued a demand note in the sum of \$39,043.50, with interest at the rate of 6% per annum, payable to TRANSCONTINENTAL OIL CORPORATION; and further,

THAT the Board of Directors be and same hereby is authorized to place as collateral security against the said note 500,000 shares of Transcontinental Oil Corporation stock outstanding in the name of ANGLO PACIFIC OIL & GAS LTD., together with appropriate stock powers rendering such stock transferable and negotiable; and further

THAT the President and Secretary be and same hereby are authorized and directed to execute the note and stock powers authorized herein.

Exhibit YV

Promissory note dated
December 31, 1959,
payable to Transcontinental
and signed by Anglo-Pacific

\$39,043.50

Copy
223

9/19 444 ~~11~~ "W"
December 31, 1959

We promise to pay to the order of TRANSCONTINENTAL OIL CORPORATION on demand, the sum of Thirty-nine thousand forty three dollars and fifty cents (\$39,043.50) with interest thereon at the rate of six (6%) percent per annum.

As collateral security there is pledged with Buchman & Buchman, Attorneys at Law, 292 Madison Avenue, New York, New York 200,000 shares of stock of Transcontinental Oil Corporation owned by us.

That in the event a demand is made for payment of this note by registered mail and such payment is not forthcoming within fifteen (15) days from the date we receive such demand, then and in such event Transcontinental Oil Corporation shall have the right to arrange a sale of such portion of the securities pledged hereinabove at public or private sale as is necessary to realize the amount due herein with interest, provided Transcontinental Oil Corporation gives to the maker hereof fifteen (15) days written notice of such sale and the consideration to be received therefrom. That in the event we do not make payments otherwise or approve such sale before the expiration of the fifteen (15) days then Buchman & Buchman are authorized herein to deliver all or such portion of the collateral as is necessary to provide sufficient proceeds from such sale to pay the amount due.

Value received.

N. Y. SUP. CT.
PTF. EXH. _____

OCT 1 - 1963
TCHNS. *W*
OFF. EXH. _____
MAILED IN "PIAN, C.S.R.

ANGLO PACIFIC OIL & GAS LTD.

Orville V. Burkinshaw, President

[Signature]
D. Stanley Tetz, Secretary

Defendants Trenton &
Fein Ex.

No. YYY *—*

Exhibit MMMM

Letter dated January 20, 1960
from Marmot to Transcontinental,
with appended schedule

225

M. M. M.
Sh. E. E.

MARMOT HOLDINGS LTD.

Leeson-Lineham Block
Calgary, Alberta

January 20, 1960

Transcontinental Oil Corporation
c/o Buchman & Buchman
292 Madison Avenue
New York 17, New York

Dear Sirs:

Under the terms of the agreement between Transcontinental Oil Corporation, Marmot Holdings Ltd., and Virgil R. Chamberlain, dated October 1, 1959, Transcontinental Oil Corporation agreed to issue 1,200,000 shares of its common stock to this company in consideration for certain petroleum and natural gas properties.

Would you kindly issue these certificates in the names of the nominees, and in the denominations as set out on the attached schedule.

Please have the transfer agent forward the certificates to Buchman & Buchman, 292 Madison Avenue, New York 17, New York, and we will arrange to have one of our men pick them up in person.

Yours very truly,

MARMOT HOLDINGS LTD.

Per: *W. E. Higgins*

OVB/ah
Encl.

SCHEDULE

<u>Name and Address</u>	<u>Number of Shares</u>
Howard C. Chase 4223 - 4th Street N. W. Calgary, Alberta	20 x 10,000
Richard W. Sargent 215 - 4th Avenue West Calgary, Alberta	20 x 10,000
Alfred Scott Field, B. C.	20 x 10,000
Arthur C. Weich 1150 - 9th Street N. W. Calgary, Alberta	20 x 10,000
Arthur A. DeLlets 511 - 26th Avenue N. W. Calgary, Alberta	40 x 5,000
Ann C. Higgins #2 - 510 - 9th Street S. W. Calgary, Alberta	40 x 5,000

Exhibit NNNN

Agreement dated "this day of
April, 1960," between Transcontinental,
Marmot, and Virgil R. Chamberlain,
signed by Orville V. Burkinshaw for
Transcontinental

DEFENDANT

EXHIBIT

U. S. DIST. COURT
S. D. OF N. Y.

SEP 19 1974

NNNN

FD-101-2-2-73-10W-8753

Agreement made this _____ day of April, 1960, by and between TRANSCONTINENTAL OIL CORPORATION, a Delaware corporation, hereinafter called "Transcontinental"; MARMOT HOLDINGS LIMITED, a corporation, hereinafter called "Marmot"; and VIRGIL CHAMBERLAIN, hereinafter called "Chamberlain".

WITNESSETH:

WHEREAS, an agreement dated the 1st day of October, 1959, was entered into by and between Transcontinental, Marmot and Chamberlain; and

WHEREAS, pursuant to the said agreement certain properties were to be delivered by Marmot to Transcontinental; and

WHEREAS, Marmot is unable to give good title to said properties to Transcontinental; and

WHEREAS, the parties are interested in consummating the transaction with respect to the properties in British Columbia and in Montana; and

WHEREAS, the parties are desirous of securing general releases from each other.

NOW, THEREFORE, in consideration of the sum of One Dollar and other good and valuable considerations, it is hereby agreed as follows:

1. The consideration for the transfer of all of the properties set forth in Schedule "A" attached hereto shall be one hundred thousand (100,000) shares of Transcontinental.

2. Simultaneously with the execution of this agreement the parties hereto are executing general releases to each other. Copies of said general releases are attached hereto marked Exhibit "B" hereof.

3. Marnot agrees that that it will not sell such shares in the United States or to any resident of the United States, in order that there will be no public offer of such shares in the United States.

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands and seals the day and year first above written.

TRANSCONTINENTAL OIL CORPORATION

By

Charles H. Brown
Pres.

MARNOT HOLDINGS LIMITED

By

VIRGIL R. CHAMBERLAIN

Exhibit 0000

Letter dated September 1, 1960,
from Transcontinental to
Anglo-Pacific.

DEFENDANT
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

SCONTINENTAL OIL CORPORATION
1782 LIFE OF AMERICA BUILDING
DALLAS 2, TEXAS

SEP 19 1974

Post Office Box 99,
Scarsdale, N.Y.
September 1, 1960

FPI-MI-2-73-10W-8753

Anglo-Pacific Oil & Gas Ltd.,
3620 Blackburn Road,
Calgary, Alberta, Canada

Dear Sirs:

Demand is hereby made for immediate payment of note in the
amount of \$39,043.50, with interest thereon at 6 percent per annum from
December 31, 1959, executed by you to the undersigned.

Yours truly,

TRANSCONTINENTAL OIL CORPORATION

By

Bernard Fein
Chairman of the Board

BFar

N. Y. SUP. CT.

DEPT. EXH.

OCT 1 - 1963

TRANS.

DEPT. EXH.

MARTIN NEWMAN, C.S.R.

EV. (10-2-63)
K-21
TORTO

BEST COPY AVAILABLE

232

Letter

avec valeur déclarée de \$

Mailed at the post office of
Déposé au bureau de poste de

Sept 1 1960 under No. 1051

on le

Address of the addressee
Adresse du destinataire

Anglo Pacific Oil & Gas Ltd
(Name or firm) (Nom ou raison sociale)

3620 Blackberry Rd.
(Street and number) (Rue et numéro)

Calgary Alberta Canada
(Place of destination) (Lieu de destination) (Country of destination) (Pays de destination)

The undersigned declares that the article mentioned above was duly delivered
Le soussigné déclare que l'envoi mentionné ci-dessus a été dûment livré

on le 3 Sept 1960

Signature of the addressee:
Signature du destinataire:

Signature of the agent of the office of destination.
Signature de l'agent du bureau de destination:

A. H. BARTON

Postmark of the Office of destination
Timbre du bureau de destination

1960

☆ GPO: 1959-O-480250

1 Cross out what does not apply. Effacer ce qui ne convient pas.
2 Indicate in the parenthesis the nature of the article (letter, post card, print, etc.), if called for.
Indiquer dans la parenthèse la nature de l'envoi (lettre, carte postale, imprimé, etc.) s'il y a lieu.
3 This receipt must be signed by the addressee or by a person authorized to do so by virtue of the regulations of the country of destination, or, if those regulations so provide, by the agent of the office of destination, and returned by the first mail directly to the sender. Cet avis doit être signé par le destinataire ou par une personne y autorisée en vertu des règlements du pays de destination, ou, si ces règlements le comportent, par l'agent du bureau de destination, et renvoyé par le premier courrier directement à l'expéditeur.

Exhibit QQQQ

Copies of two authorizations,
one "To Whom it May Concern"
dated December 2, 1965, and one
to Canada Permanent Mortgage
Corporation dated July 18, 1966,
signed by Transcontinental.

SA 335-476
(ED. 4-23-71)

DEFENDANT
EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

SEP 23 1974

FPI-NI-2-2-73-10M-8753

234

Trenton & 101 Idant 10/17/67 M. Sarmello

TRANSCONTINENTAL OIL CORPORATION
P. O. Box 487, Rangely, Colorado

December 2, 1965

To Whom it May Concern:

This letter will authorize Mr. Edward Sackett to
enter on properties at Rangely, Colorado, and Sedalia Gas
Fields in Alberta, Canada for purpose of inspection.

Very truly yours,

TRANSCONTINENTAL OIL
CORPORATION

BF/tz

By: Bernard Fein, President

Plaintiffs' Ex.

No. 00048

TRANSCONTINENTAL OIL CORPORATION
P. O. Box 99
Scarsdale, New York

July 18, 1966

Canada Permanent Mortgage Corporation
315 8th Avenue West
Calgary, Alberta
Canada

Re: Trecon Oil Co. Ltd. Leases

Gentlemen:

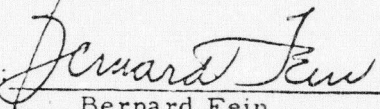
The bearer of this letter, Mr. Edwin Sackett, is authorized to examine the leases which are on file with you in the above name.

Very truly yours,

TRANSCONTINENTAL OIL CORPORATION

BF/tz

By:


Bernard Fein

*Mr. Sackett
called in on July 20/66
per P.B.S.*

Exhibit RRRR

Letter dated January 4, 1966,
from Milton Paulson, Esq.,
to Kaufman, Taylor, Kimmel & Miller, Esqs.,
with document appended entitled
"Transcontinental Oil Corporation Pro Forma
Balance Sheet as of December 31, 1965"

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

237

MILTON PAULSON
ATTORNEY AT LAW
122 EAST 42ND STREET
NEW YORK 17, N. Y.
OXFORD 7-0133

January 4, 1966

Kaufman, Taylor, Kimmel & Miller, Esqs.
41 East 42nd Street
New York, N. Y.

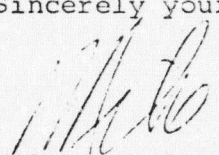
Attention: Irwin M. Taylor, Esq.

RE: Sackett v. Transcontinental, et al.

Dear Irwin:

I am enclosing herewith a Pro Forma Balance Sheet of Transcontinental as of December 31, 1965. Mr. Fein informs me that the figures are a "reasonable approximation". It is understood, of course, that we are in no way making any warranty or representation with respect to these figures and they are being submitted to you entirely without prejudice.

Sincerely yours,


Milton Paulson

MP:el
Encl.

Plaintiffs' Ex.

No. 00070

A $\frac{1}{2}$ B

TRANSCONTINENTAL OIL CORPORATION
PRO FORMA BALANCE SHEET
AS OF DECEMBER 31, 1965

ASSETS

Cash	\$ 164
Properties (a) (b)	
1. Rangeley Properties	100,000
2. Sedalia Properties	150,000
Judgment against Anglo-Pacific - \$623,000	
Working Capital - Rangeley Properties (a)	<u>9,625</u>
TOTAL ASSETS	259,625

LIABILITIES

Fieland	35,000 -
Buchman	10,000
Putterman	10,000
Texas Bank & Trust	10,000
B. Fein - sal. accd.	50,000
B. Fein - disbursements	6,000
Smith	1.100
Notes Payable - Trenton Products (a)	220,767
Contingent Liabilities (c)	<u>--</u>
TOTAL LIABILITIES	342,867

- (a) Pledged as security for note of Trenton Products.
 (b) Estimated current value.
 (c) Liabilities illegally incurred by Anglo Pacific et al in name of Transcontinental Oil. Total amount unknown.

Exhibit NNNNN

Document entitled
"Minutes of Special Meeting of
Board of Directors Held on
November 30, 1959"

RECEIVED

EXHIBIT

U. S. DIST. COURT
S. D. OF N. Y.

OCT 8 1959

NNNNN

FPI-MI-2-2-73-10M-8783

240

PLTFS EXH 4

MINUTES OF SPECIAL MEETING OF BOARD
OF DIRECTORS HELD ON NOVEMBER 30, 1959

Special meeting of the Board of Directors, pursuant to notice,
held at 15th Floor, 292 Madison Avenue, New York, N.Y.

By unanimous consent, Mr. Leslie was appointed as Secretary of
the meeting.

The resignation of Warren Schoenthaler was received and accepted.
Upon motion of Mr. Leslie, seconded by Mr. Kropp, Orville V. Burkinshaw and
Thomas Cairns were nominated as Directors to fill vacancies, and were unani-
mously elected.


Mr. Fein thereupon submitted his resignation as President. Mr. Kropp
moved acceptance of the resignation, and the election of Mr. Burkinshaw to suc-
ceed him. The motion was seconded by Mr. Leslie and unanimously carried.

Mr. Burkinshaw thereupon moved the election of Mr. Fein as Chairman
of the Board, seconded by Mr. Leslie, and unanimously carried.

A discussion ensued concerning the agreement with Anglo-Canadian
concerning the acquisition of White River Exploration and it was agreed that
it be modified to provide that payments of \$1,000,000. ~~xxxx~~ provided therein
commence four (4) months after completion of present oil loan on property.

The resignation of Mr. Leslie as Director was submitted. It was
moved by Mr. Burkinshaw and seconded by Mr. Fein that Donald S. Tetz be elected
Director to fill the vacancy thus created.

There being no further business to transact, the meeting was adjourned.


Bernard Fein
Chairman of the Board

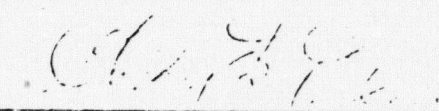

Harry B. Leslie
Secretary of Meeting

Exhibit 00000

Portions of the deposition
of B. Edwin Sackett
taken September 22, 1967

SACKETT ADMITS THAT THE OCTOBER 1966 MEETING "WAS RESTRICTED ALMOST ENTIRELY...
TO THE PRICE THAT WAS PLACED ON THE STOCK" (NEVER SAID THIS ON DIRECT). HE
TAKES CONTROL AND THEN USES TRANS TO STOP TRANSFERS - & THEN GOES TO
MEETING FOR EXPLANATIONS!

Sackett

242

47

EXHIBIT
U. S. DIST. COURT
S. D. OF N. Y.

OCT 8 1974

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how the acquisition by Trenton occurred. We
have never been furnished with that information.

MR. SCHWARTZ: I don't mean to be examining
you, Mr. Taylor, but you have volunteered it, so
I will just ask you the button-up question:

Did you have any meetings with any repre-
sentatives of Mr. Fein or with Mr. Fein on the
subject of Desilets?

MR. TAYLOR: I don't recall that we had any
other face-to-face meeting, although I am sure
I had several telephone conversations with Mr.
Cole, and possibly one or two with Mr. Scofield.

MR. SCHWARTZ: Well, is there anything that
was said or that you believe was promised during
those that would be worthy of note, in addition
to your meeting with them?

MR. TAYLOR: No. We were told that we would
be given the information, and we never have been
given the information.

BY MR. SCHWARTZ:

Q Mr. Sackett, I would like to return to your
meeting with Mr. Paulson and Mr. Fein at which Mr. Taylor
was present, and it is your recollection, you say, as
I understand, that the Desilets affair was discussed?

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A That's correct.

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Q Were other subjects also discussed?

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A Oh, yes.

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Q How many subjects? Can you recall if it

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was several subjects that were discussed?

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A Well, the meeting was restricted almost

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entirely, as I recall, to the ^{stop} stock notice that was

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placed on the stock, the very shares of Transcontinental

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stock, and Mr. Taylor and I furnished information to

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Mr. Fein and Mr. Paulson with respect to the particular

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shares of stock on which ^{stop} stock notices were placed.

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In that connection, of course, the Desilets stock came

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up, and certain information was asked for and a dis-

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cussion was had on that.

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Q Do you remember what you and Mr. Taylor

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asked for?

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A Yes. I remember specifically that I pointed

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out, in going over these things, we came to the issuance

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of the stock to Desilets, as shown by the transfer

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records, to Desilets, and asked Mr. Fein what he knew

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about it. He said he didn't know anything about it.

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We asked him how it came -- how he got possession of it.

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We asked him who Mr. Desilets was. He said well, he

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didn't know. Then we asked him how he got possession

Sackett

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2 of the stock, and he said, well, Desilets was -- as
3 I recall now -- Desilets was a friend of Burkinshaw,
4 and Burkinshaw got the stock from Desilets, or Desilets
5 gave Burkinshaw the stock, or Burkinshaw got the stock
6 from Desilets and Burkinshaw gave it to him, because
7 Burkinshaw owed him \$10,000, and that's how he got the
8 Desilets stock.

9 Q By "him," you mean Mr. Fein?

10 A Mr. Fein. This is Mr. Fein speaking.

11 Q Burkinshaw then gave that stock to Mr. Fein?

12 A This is what Mr. Fein said as to how he
13 received the stock physically. He said that Burkinshaw
14 gave it to him because he owed him \$10,000 and, as to
15 how Burkinshaw got it, he didn't know, except that
16 Desilets must have been a friend of Burkinshaw, and he
17 got it from Desilets some place.

18 He did not give us any detail about any
19 transaction with Desilets, although we asked him that.

20 Q What do you mean by "any transaction with
21 Desilets"?

22 A Well, any dealings that he may have had with
23 Desilets of any kind. He denied knowing who Desilets
24 was. He denied having met him or knowing who he was,
25 or what his connections were.

Sackett

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I pointed out to him that the transfer records showed that Desilets address was in care of Box 99, Scarsdale, which is Mr. Fein's box.

Q Pardon? What is that address?

A Box 99.

Q But how was it recorded on the stock card?

A On the stock card, as to the stockholder, Desilets is the stockholder of record, and his address is shown there as Box 99, Scarsdale, which is Mr. Fein's box and, when I tried to find out who Mr. Desilets was, or look his address up from his transfer record, all I could find was Box 99, so I had nothing tracing Mr. Desilets, since I didn't know who he was or what connection he had with any firm or anything else, at this point. This is why I was unable to locate Mr. Desilets. That's why I asked Mr. Fein who he was; he was unable to tell me.

MR. TAYLOR: Off the record.

(Discussion off the record.)

Q You were saying, Mr. Sackett, that you pointed out to Mr. Fein that the address was Box 99, Scarsdale, and do you remember what Mr. Fein's response was to this, if any?

A I don't remember any response. I asked him

Sackett

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to account for it, and he -- he shrugged his shoulders.

He certainly didn't account for it.

Q What else did you say or ask for at this meeting?

THE WITNESS: At this meeting?

MR. SCHWARTZ: Yes. About the Desilets affair.

A Well, as I said, we asked him to account for this, as to what the transaction was, or how he obtained the stock, and so forth. I related that.

And we asked him how we could locate Desilets, and so forth, and he didn't know, and, with respect to Desilets, we also asked him whether there was any consideration for the stock, or whether it was assigned to him, or something else, and he just didn't know; he didn't say anything.

Q Did you not say that he told you he got it from Burkinshaw on account of a \$10,000 debt?

A This is right. This is his explanation as to how it came into his possession, after we showed him from the record that such stock was issued. When I first mentioned it, he never heard of it, he never heard of the stock, he didn't know anything about the 100,000 shares; he denied any knowledge of it, and then,

Sackett

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2 when I showed him that it was in the record, and that
3 it was issued on such and such a date to Mr. Desilets,
4 and that he transferred this stock in August of 1966,
5 we showed him that record, and then he remembered that
6 he got it from Burkinshaw, who must have gotten -- he
7 still didn't know who Desilets was.

8 Q But he did tell you that Desilets disposed
9 of the stock to Burkinshaw, and Burkinshaw disposed of
10 the stock to Fein on account of a \$10,000 debt?

11 A This was his explanation, that Burkinshaw
12 gave it to him because he owed him \$10,000, but he still
13 could not account for the address of Desilets, the fact
14 that his box was used as the address for Desilets.

15 Q And what else did you ask for or say to Mr.
16 Fein or Mr. Paulson at this meeting?

17 THE WITNESS: With respect to what?

18 MR. SCHWARTZ: The Desilets affair.

19 A Well, that's about it. There was nothing
20 else I could say, I don't think.

21 Q Do you remember anything else that Mr. Fein
22 said about the Desilets affair, other than what you
23 have already told us?

24 A No.

25 Q Do you remember whether Mr. Paulson talked

ACKREIT ADMITS THAT HE KNOWS NOTHING ABOUT DESILETS TRANSACTION.

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1 Sackett

2 THE WITNESS: Yes.

3 Q That states, does it not, Mr. Sackett, on
4 or about the 12th day of April, 1960, and while in
5 control of Trans, Fein caused Trans to authorize the
6 issuance of 100,000 shares of the common stock of
7 Trans to one Arthur A. Desilets.

8 Can you tell me what was the basis on which
9 you alleged that paragraph?

10 A The minutes of the board of directors of
11 Transcontinental show that on April 12, 1960, the board
12 authorized this issuance of the stock.

13 Q Is that the only basis?

14 A That's the only basis.

15 Q So the minutes said, did they not, that these
16 shares were issued to Mr. Desilets as nominee for Marmot
17 in connection with the said transaction?

18 A As I recall that.

19 Q And the additional allegation, Fein caused
20 Trans to authorize the issuance, is based on what?

21 A Based on the fact that Mr. Fein was in
22 control of the company, and he was the chief executive
23 officer of the company, and he must have had to recom-
24 mend it to the board or initiated the recommendation,
25 as any chief executive would.

Sackett

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Q Was it based on any facts having to do with Mr. Fein's particular connection with the transaction in the course of which the 100,000 shares was issued?

A I know nothing about the transaction, and the only thing I know is what is in the minutes.

Q Mr. Sackett --

MR. SCHWARTZ: Mr. Taylor, if you know the answer, I will appreciate the response from you.

Q (Continuing) -- is there any file in the corporation that deals with Marmot and the over-all transaction and the way in which it appears from the minutes?

A No, sir. I looked for it.

Q You looked?

A Yes.

MR. TAYLOR: I might say, in response to your invitation to me to comment, I have obtained other papers. I know of no file, per se, but the papers I handed to you this morning were papers we found.

Off the record.

(Discussion off the record.)

MR. TAYLOR: I hand you a letter dated

SA KETT CONCLUDED THAT DESILETS' SHARES WERE NEVER DELIVERED TO HIM BECAUSE -- NO ENDORSEMENTS -- NO POWERS, ETC. (P. 70) -- BUT SACKETT ADMITS AT P. 177 THAT FEIN AS TRANSFER AGENT OFTEN FAILED TO REQUIRE STOCK POWERS AND ASSIGNMENTS.

Sackett

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2 A Yes. I saw a letter to that effect in
3 the file, in the Transcontinental file.

4 MR. TAYLOR: Would you have that?

5 THE WITNESS: I am pretty sure it is there.

6 MR. TAYLOR: Off the record.

7 (Discussion off the record.)

8 THE WITNESS: Come to think of it, I'm not
9 certain that it is Desilets stock, but I saw a
10 letter telling of some stock, and it could be.

11 MR. SCHWARTZ: If it is, I am sure you or
12 Mr. Taylor will furnish it to me.

13 THE WITNESS: If it is, I will be very glad
14 to furnish it to you. It is a copy of a letter.

15 MR. TAYLOR: I will also check with Mr.
16 Buchman to see if he has any such letter referring
17 to delivery of such stock.

18 Q Mr. Sackett, then I would like to ask you
19 why you should have concluded and alleged in the verified
20 complaint that the stock was not delivered to Mr.
21 Desilets and was converted by Mr. Fein?

22 A Well, when I examined the stock certificates
23 in the possession of the transfer agent, there were no
24 endorsements of any kind, there were no stock powers
25 attached to it. There was no indication, from the

Sackett

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2 physical condition of the certificates, that they had
3 been even folded or sent through the mail in a folded
4 condition. There were no marks of any kind on it.
5 And they -- there were no transactions -- the stock
6 remained registered in Mr. Desilets' name until they
7 were transferred, in August, by Mr. Fein, and, therefore,
8 my conclusion was that they had -- that -- there was
9 no evidence that Mr. Desilets had ever signed or seen
10 or done anything to the certificates.

11 Q Well, what evidence might there have been
12 had he, in fact, received them? Haven't you told me
13 there are no corporate records which would have indi-
14 cated physical delivery?

15 A But the certificates themselves, if he had
16 delivered them and assigned them to anyone, or assigned
17 the rights to them to anyone, normally should have had
18 an endorsement signature stock power, or something with
19 his name on it, indicating that he had transferred his
20 right, title and interest to those certificates.

21 Q Mr. Sackett, in Paragraph 16 it is alleged
22 as follows: (Reading) "On or about the 25th day of
23 April, 1960, the said 100,000 shares of stock were
24 issued but, on information and belief, the said stock
25 was never delivered by Trans to the said Arthur A.

Sackett

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2 that count that (plaintiff is contending is that Mr.
3 Fein failed to demand stock powers and assignments
4 when stock was transferred from one person to another,
5 and he executed the transfer?

6 A I observed that, yes.

7 Q Do you remember on about how many cases that
8 occurred?

9 A I don't remember offhand.

10 Q Approximately?

11 A A number of cases. I don't keep count. I
12 think there has been an examination made since I looked
13 at it, and I think that is the best evidence of it.
14 I don't know. There were a number of them, and certain-
15 ly, if you are referring to Desilets stock, there is no
16 evidence of any stock power that was attached to it,
17 or may have been attached to it.

18 Q So, if Mr. Fein got these shares from Mr.
19 Burkinshaw, as he told you he did, and did not demand
20 a stock power or an assignment, he was acting there as
21 he had acted in a number of other situations; is that
22 right?

23 MR. TAYLOR: Would you identify the word
24 "he"?

25 MR. SCHWARTZ: Mr. Fein.

Sackett

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MR. TAYLOR: May we have that question read, please.

(The pending question was read by the reporter)

A As transfer agent, he acted, probably did the same thing in a number of other situations, but he had a dual capacity, and he allegedly got the stock as an owner.

Q You knew of Count Eight, the facts underlying Count Eight at the same time as you knew about the facts underlying Count Two; isn't that right?

A Well, about the same time, because I didn't know any of it until I saw some of the records.

Q They both appear in the complaint, so you knew about them at least together at the time you were deciding to file this complaint?

A Yes, this is correct.

Q Didn't Mr. Fein's apparent habit, according to your investigation, of not requiring transfers -- didn't that habit account for the absence of a stock transfer on the Desilets shares, and doesn't that mean that you had no evidence to suggest that Buchman did not deliver the stock to Desilets?

MR. TAYLOR: I will object to that question as being speculative. It has no proper foundation

HOW CAN THE FORECLOSED SHARES BE CLAIMED BY TRANS? THEY ORIGINALLY BELONG TO ANGLO.

254

Sackett

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2 Q You choose the word "return" only because
3 a year earlier the shares had been issued to Anglo?

4 A Well, in that sense, yes.

5 Q Am I right that you have said that you are
6 not making any contention as to whether this stock had
7 been foreclosed and became the property of Trans?

8 A I don't know.

9 Q You said you are not making any contention?

10 A No, I am not.

11 Q Then it might still be the property of
12 Anglo -- is that right -- so far as you know?

13 A It might.

14 Q How then can you sue for damages to Trans
15 for \$150,000 for the conversion of stock that may be
16 the property of Anglo?

17 A Well, I am not sure it is the property of
18 Anglo. It could possibly be but, based upon the facts
19 as I see them and know them, this is the basis for my
20 suit or for my count, and I relied upon legal advice
21 and guidance in preparing this count.

22 Q What evidence do you know of or suspect
23 or have reason to believe exists that Trenton and Fein
24 appropriated these shares of Trans stock?

25 A Because the facts known to me indicate that

SACKETT STATES THAT AT MEETING OF OCTOBER, 1966, FEIN TOLD HIM THAT HE PURCHASED THE SHARES OF TRANS WHICH WERE SECURITY FOR THE \$39,000 NOTE FROM ANGLO.

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1 Sackett 217

2 is your answer "No," or "I don't know"?

3 A At this point, I don't know. All I know
4 is that he came back and apparently in connection with
5 a note, and it was transferred by Mr. Fein. I don't
6 know what happened.

7 Q Have you investigated as to whether the
8 security of 300,000 or 300,000 plus 200,000, given by
9 Trans to Anglo was ever foreclosed?

10 A There is nothing in the record of the com-
11 pany, as far as I have been able to determine, that
12 would indicate this. I think, in one conversation after
13 this, we filed the action and everything else, and
14 after we -- at the time -- wait a minute. Something
15 comes back to me now. I am not sure whether this was
16 right. At the time counsel and I talked to Fein, after
17 the ^{stop} stock notice had been put on the shares --

18 MR. TAYLOR: And before the commencement
19 of the litigation?

20 A -- and before the litigation started, we
21 asked him -- we gave him all this information, which
22 you have on Exhibit 10 here, as far as the stock cer-
23 tificates and so forth that we put the stop on, and we
24 asked for explanation, and it seems to me at that time
25 he said that, in accounting for, talking about the shares

Sackett

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2 that he got from Anglo, he said something about the
3 shares having been foreclosed, or he bought them on a
4 foreclosure and, as I recall, Mr. Paulsen told him we
5 weren't there to discuss that, and we didn't proceed
6 any further.

7 That is the best of my recollection. I
8 still don't know the details or anything else.

9 MR. TAYLOR: He said it was a foreclosure
10 of a personal loan.

11 A (Continuing) So we couldn't pursue it be-
12 cause he wouldn't talk about it. At least his counsel
13 told him not to talk about it. That is the only evi-
14 dence or information I have, to my recollection, about
15 the foreclosure. He didn't specifically refer to this
16 note. I don't know whether it is this note he is talking
17 about, or these shares. In accounting for it, he did
18 make that statement, or started to make that statement,
19 and Mr. Paulsen told him that we weren't there to dis-
20 cuss that information.

21 Q Was there anything other that Mr. Fein said,
22 other than what you have mentioned, about the shares
23 that you were asking an explanation of, that could have
24 been about 300,000 or 500,000?

25 A No. We asked him about the Desilets stock,

Sackett

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2 since the last session, and they are quite firm
3 on the premise that they undertook no obligation
4 to give you any papers and, therefore, you could
5 not be correct in such a recollection.

6 THE WITNESS: I recall asking Mr. Burkinshaw,
7 when I had that brief interview with him, and his
8 recollection was that, as far as he knew, the
9 shares were still held by Trans on that note. He
10 didn't know anything about any shares having been
11 foreclosed. That was his statement to me.

12 Q In other words, he confirmed to you that the
13 note was not paid?

14 A Yes, and -- well, he said as far as he knew
15 the 500,000 shares were still in the possession of Trans
16 and he knew of no foreclosure. In other words, he
17 received no notice of foreclosure, or didn't know of
18 any foreclosure, it didn't come to his attention as
19 president of Anglo.

20 Q He had not paid the note, you are quite clear
21 about that?

22 A I am sure that is true, but I didn't, he
23 didn't claim that he paid the note, shall we say.

24 I did ask him whether, from what I gathered
25 was the 500,000 shares of stock that was sent in as

SACKETT ADMITS THAT THE \$39,000 NOTE FROM ANGLO WAS NOT PAID AND THAT THE RIGHT TO FORECLOSE ON THE COLLATERAL.

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Sackett

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2 security, whether that had been foreclosed and so
3 forth.

4 Q Are you clear in your mind, from all the
5 investigations and conversations you have held, that
6 the note for which this stock was pledged as security
7 was not paid?

8 A I would think so. As I say, there is nothing
9 in the record that I found in the files turned over to
10 me by Mr. Fein which would indicate that the note was
11 or wasn't paid, or what happened there, as near as I
12 can recall, and I am sure I would have noticed something
13 about it.

14 Q That is not my question. I am asking you,
15 are you reasonably clear in your mind, from all the
16 things you have inquired into, that the note was not
17 paid?

18 A Yes, I am reasonably clear in my mind.

19 Q Are you also reasonably clear in your mind
20 that on non-payment of a note Trans has a right to
21 foreclose?

22 A According to these documents, yes, I would
23 think so.

24 Q Do you know of anything to indicate that
25 Trans did not foreclose?

SACKETT ADMITS THAT IN HIS CONVERSATIONS WITH FEIN IN THE EARLY 1960's -
FEIN TOLD HIM THAT HE PERSONALLY LOANED TRANS \$57,000.

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Sackett

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2 claim in 1966?

3 A Well, it was warranted at \$222,000 or
4 \$223,000 with adjustments.

5 Q Do you know from your study of the records
6 or otherwise whether Trenton advanced additional
7 money in the period of time prior to 1962 and 1963
8 to pay rentals on leases that were paid in those
9 years prior to 1962 and 1963?

10 A Whether Trenton did?

11 Q Yes.

12 A I don't know whether Trenton did or Mr.
13 Fein did or who advanced the money. Records in-
14 dicate that Mr. Fein sent checks in payment -- for
15 the letters of transmittal transmitted checks.
16 Now, whose checks they were I don't know.

17 Q So far as you know they could have been
18 Trans's checks or Mr. Fein's checks?

19 A Yes. This I don't know. Unless it is re-
20 flected in these records that the accountant has.

21 Q Have you any idea as to whether Trans
22 was receiving further advances of money, meaning
23 loans in order to keep up such leases as were kept up?

24 A Well, I don't know except that during the
25 conversations I had with Mr. Fein over a period

Sackett

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2 of several years before I filed the stockholders
3 suit he told me that he advanced -- he personally
4 advanced money to Trans and for a Trans operation
5 and at one point Trans owed him \$57,000, as I
6 recall, which he had advanced -- borrowed money from
7 the bank -- and he personally advanced to pay Trans's
8 debt, as he put it, debts or something. And that
9 was later repaid to him.

10 Q Have you, in your study of the files since
11 you took over August of 1966, found anything that
12 would contradict what he told you there?

13 A No. I found nothing in the files that I
14 have. That is completely devoid of that particular
15 line of information. It certainly might indicate --
16 or be indicated in the records that the accountant
17 has that he -- from which he tried to develop all of
18 the activities that occurred for and on behalf of
19 Trans and so forth. It may well be in those records
20 but in the files of the corporation that I have there
21 is no indication that I found that bears on that
22 point.

23 Q When you gave these financial records to
24 the accountant did you give him any general assign-
25 ment to reconstitute records or look for various

(1) SACKETT STATES THAT HE IS SUING, IN THE NINTH COUNT, ON AN ORAL AGREEMENT TO GET ALL OF TRENTON'S SHARES.

(2) THAT THE ORAL AGRFEMENT "CULMINATED" IN THE WRITTEN AGREEMENT OF JUNE 22, 1966 AND

(3) THAT NOWHERE IN THE WRITTEN AGREEMENT DOES IT STATE THAT HE WILL GET TRENTON'S SHARES.

Witness Sackett

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2 agreement referred to in paragraph 47 of the complaint?

3 A Yes, it is.

4 Q Do you have any other writings which you claim
5 are a part of an agreement you reached with Mr. Fein and
6 Trenton in 1966?

7 A No, I don't.

8 Q Is this the complete agreement, as far as you
9 know?

10 A This is the only agreement signed with Mr. Fein
11 by myself.

12 Q And is Count 9 limited to this written agreement,
13 or does it go beyond the written agreement?

14 MR. TAYLOR: You are asking for a legal conclusion,
15 or the legal effect of the allegations. I object
16 to the question.

17 MR. FISCHER: I will rephrase the question.

18 Q In Count 9, are you suing the defendants, Trenton
19 and Fein, on any oral agreements?

20 A Well, yes; on the oral agreement and understand-
21 ing and meeting of the minds that I was purchasing all of
22 the assets of Trenton which in any way related to Trans-
23 continental Oil, including all of the shares of stock of
24 Transcontinental Oil which Trenton owned of record and
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beneficially and so forth. That was my understanding in the negotiations for the purchase which finally led to the culmination.

Q What culmination?

A Well, it culminated in this agreement, which was carried out and resulted in the acquisition by me of certain assets of Trenton relating to Trans.

Q Where in this agreement, Defendant's Exhibit 102, is it stated that Trenton agreed to sell to Sackett "all of the shares of common stock of Trans owned by it of record and beneficially"?

A There is no language specifically in the agreement such as you quote.

Q I quoted merely from the complaint, which says that Trenton agreed to sell to Sackett all of the shares of common stock of Trans. I ask you whether in that agreement you can show me where they so agreed.

A It is not stated in so many words in the written agreement as executed. This was the agreement on my part and, I am sure, on the part of Mr. Fein, which we reached orally in this transaction. In executing the agreement, the written agreement, I was certainly under the impression and firmly believed that this was a representation that this was all of the stock and other assets that Trenton

SACKETT CONTENDS THAT THE ORAL AGREEMENT TO SELL HIM ALL OF TRENTON'S
SHARES WAS MADE ON OCTOBER 22, 1965.

1 | | Witness Sackett 549

2 June 22nd?

3 MR. TAYLOR: That recites what the ownership is.
4 There are other representations as to what the seller
5 had as of the date of the agreement.

6 MR. FISCHER: I am asking you whether plaintiffs-
7 claim that this written agreement in any way contains
8 a representation that Trenton only owned 600,000
9 shares of common stock and no other stock of Trans-
10 continental.

11 MR. TAYLOR: The witness has stated, and I firmly
12 believe, also, that that language constituted a rep-
13 resentation that the sellers owned only the shares
14 of stock set forth in that agreement; that is to say,
15 the language sets forth what Trenton had as of the
16 date of the agreement. That and no more.

Q Do you adopt what your counsel just stated?

18 A Yes, I do.

19 Q You stated that there was an oral agreement and
20 understanding and a meeting of the minds that you were
21 purchasing all of the shares of Transcontinental owned by
22 Trenton. I ask you when you made this oral agreement with
23 the defendants.

74 A On October 22, 1965.

25 Q I see you are looking at certain notes. Are

Witness Sackett

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2 these notes you made at the time of the agreement or con-
3 temporaneously with the execution of the agreement?

4 A This is a guide to notes which I made just shortly
5 after the meeting at which this agreement was arrived at,
6 or which formed the basis of the negotiations which led to
7 the final execution of the agreement.

8 Q Did you take notes at the negotiations for the
9 execution of the agreement?

10 A No, I didn't, not at the execution.

11 Q At the time you were negotiating this agreement,
12 Defendant's Exhibit 10³ with Mr. Fein and during those
13 negotiations, did you take notes, either at the meetings
14 or shortly thereafter?

15 A Well, it didn't happen that way. To put it in
16 the proper perspective, the first meeting that I had with
17 Mr. Fein to discuss a possible settlement of the lawsuit,
18 the stockholder suit which I had brought, was set up by
19 my counsel, Mr. Taylor, who had received information to the
20 effect that Mr. Fein was willing to sell all of his inter-
21 ests in Trans and get out.

22 We therefore held this meeting on October 22, 1965,
23 in Mr. Fein's office, and there were present Mr. Fein, Mr.
24 Paulson, his lawyer; Mr. Taylor and myself. This was the
25 very first time we discussed purchasing the assets of

Witness Sackett

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2 money, an attorney, an accountant and someone else. I
3 forget who.

4 Q Is it correct that at this first meeting, Mr.
5 Fein was seeking to obtain \$222,000 in cash?

6 A That was his offer: that if he got that money, he
7 would turn over all his interests and all of Trenton and
8 turn over control; in other words, his interest in Trans
9 and turn over control and so forth.

10 Q Did you ultimately agree to give him \$222,000?

11 A No.

12 Q And did he ultimately agree to give you all of
13 Trenton?

14 A Well, what he was giving up -- what we were buy-
15 ing was clear from the beginning, because we told him we
16 were not interested in the corporate shell, in the corpora-
17 tion, in the stock of Trenton itself. We were interested
18 only in all of the assets relating to Trans. We didn't
19 want Trenton as such.

20 This was clear from the very beginning. The
21 price was negotiated in a number of meetings by Mr. Taylor
22 with Mr. Paulson and with Mr. Fein, probably, and the price
23 was finally arrived at, the final price. But we certainly
24 never departed from the first premise that we were getting
25 everything that Trenton owned relating to Trans.

Witness Sackett

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Q At this meeting of October 22, 1965, did Mr. Fein say to you that Trenton Products owned a total of 600,000 shares of Transcontinental? I am asking you without refreshing your recollection. Do you know it from your independent recollection?

A From my independent recollection? Well, I would have to look at my notes.

Q Sitting here today, do you recall Mr. Fein saying to you, on October 22, 1965, that Trenton owned a total of 600,000 shares of Transcontinental?

A Not in those words, no.

Q In similar words, did he ever say anything along those lines? In substance, did he say that?

A I don't recall that. I don't recall that we discussed exactly the shares of Transcontinental stock Trenton owned. We were talking about all the shares of stock owned in Trans, including, I remember -- well, we were talking about all the shares of stock he owned, a quarter interest in the Sedalia and Oyen gas fields and certain assets and liabilities -- certain liabilities that the company owed. He recounted those.

Q In other words, your present recollection is that Mr. Fein offered you all of Trenton's assets, for which he wanted \$222,000?

Witness Sackett

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A That's right. He offered the whole company, actually, but we didn't want the company.

Q When I say "all of the assets," I mean the whole company.

A Yes.

Q In fact, he ultimately did not receive \$222,000?

A No, that was negotiated down and he received \$187,000, approximately.

Q I ask you again whether, of your own independent recollection, you recall that Mr. Fein said at this meeting that Trenton Products was the owner of 600,000 shares of Transcontinental, and those were all the shares owned by Trenton?

A I have no recollection of him saying that specifically at that meeting.

Q Did he ever say that to you, at any meeting, or during any conversations?

A I didn't have any more conversations with him until we closed --

Q I am saying ever. Did he ever tell you that the only shares that Trenton owned of Transcontinental in 1966 were 600,000 shares?

A No, because that is the only time -- I saw him in 1965, and then the negotiations were under way by Mr. Taylor,

Witness Sackett

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2 and I didn't see him again until the closing.

3 Q Were you ever told by anybody, including Mr. Fein,
4 either at meetings, telephone conversations or correspondence
5 that Trenton Products only owned 600,000 shares of Trans-
6 continental?

7 A No, I didn't --)

8 MR. TAYLOR: I have to object to the form of the
9 question. The allegation, of course, isn't that it
10 was 600,000.

11 MR. FISCHER: Well, 650,000.

12 MR. TAYLOR: In your statement, you seem to be
13 misleading, not intentionally, Mr. Sackett. Perhaps
14 it might help, I respectfully suggest, if you ask
15 him what the conversations between them were.

16 Q I will amend the question to ask you whether Mr.
17 Fein ever told you that Trenton owned a total of 650,000
18 shares of Transcontinental and no more?

19 A At this meeting, it is my recollection that the
20 total amount of shares that Trenton owned of Trans was not
21 mentioned by number. The understanding and the point of
22 negotiation for that meeting was that we were getting
23 everything they owned. There was no representation made
24 at that meeting, to my recollection, that Trenton owned
25 200,000 or 600,000 or a million shares. There wasn't any

Witness Sackett

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2 representation to that effect, as I recall. Now, if I
3 can look at my notes, I can refresh my memory.

4 Q I am asking you a question that I believe can be
5 answered yes or no. I want to know whether Mr. Fein ever
6 told you that Trenton Products only owned 650,000 shares of
7 Transcontinental? Either he said that to you on some
8 occasion, or he never said it to you.

9 A At any time?

10 Q At any time, did he ever tell you that Trenton
11 Products only owned 650,000 shares?

12 A I don't think he ever told me that at any time,
13 as to what specifically Trenton owned.

14 Q Did Mr. Taylor ever tell you that Trenton only
15 owned 650,000 shares of Trans?

16 MR. TAYLOR: When?

17 MR. FISCHER: Ever.

18 A Well, Mr. Taylor told me -- he confirmed the
19 fact, according to my understanding, that we were getting
20 all of the shares of stock owned by Trenton, of Trans stock,
21 either beneficially or otherwise. They were the owners
22 of it. We were getting the quarter interest. We were
23 getting these other things that we had in the agreement.
24 This was our understanding. When I read this agreement,
25 before I signed it, in talking to Mr. Taylor, he said,

Witness Sackett

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2 "Well, this agreement says that they own this stock, and
3 we have been negotiating for everything, so this is what
4 we are buying, apparently." It never occurred to me that
5 Trenton owned more than the amount of stock which is
6 alleged in the agreement that it was the beneficial owner
7 of.

8 Q Did you ever ask Mr. Fein how many shares of
9 Transcontinental he owned personally, outside of Trenton?

10 A Yes, at one time -- and I can't remember when it
11 was -- at some meeting that I had with him -- it wasn't
12 at this time, I don't think -- but at a previous meeting,
13 he said, as I recall, because we were talking about the
14 ownership of shares -- and he said he owned either 70,000
15 shares of stock, for which he paid 50 cents a share, or
16 50,000 shares of stock for which he paid 70 cents a share.
17 I don't remember which. That was at some meeting. It was
18 some months before the suit started. It was a year or two
19 before that.

20 Q But you did not negotiate with Mr. Fein for the
21 purchase of the shares he owned personally, outside of
22 Trenton, is that correct?

23 A That's correct; we were not buying any shares
24 of his personal holdings. As I recall, he indicated that
25 was either 50,000 or 70,000 shares.

Witness Sackett

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Q And I take it the ninth count of the complaint does not seek to recover from Mr. Fein any of the shares he owned personally outside of Trenton, is that correct?

A Which he was --

Q Assuming he was the lawful owner of those shares which he presently owns, or which he owned on June 22, 1966, you are not seeking the recovery of those shares, is that correct?

A That is correct.

Q Were you ever told by anybody -- and I am including Mr. Fein -- at any time that Trenton owned more than 650,000 shares of Transcontinental in June 1966, and I will limit it up until the end of 1966? Were you ever told up until the end of 1966 that Trenton owned more than 650,000 shares of Transcontinental?

A Up to the end of 1966?

Q Right.

A Yes, because after we took over the company on August 14 and saw the records of the transfer agent, then we knew that Trenton owned more than that and transferred more than that and so forth.

Q Up to and through the closing of the June 22, 1966 agreement, were you told by anybody that Trenton owned more than 650,000 shares of Trans?

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A No; I believed that that is all they owned and that we were buying everything they had.

Q Did you ever ask anyone whether Trenton owned more than 650,000 shares of Transcontinental prior to the closing of the agreement of January 22, 1966?

A There was no one I could have asked, Mr. Fischer, because my only contact was with Mr. Fein that had anything to do with Trenton and I didn't know anybody else who knew anything about Trenton. All my information with respect to Trenton came from Mr. Fein, over my contact with him during a period of several years. He never told me just exactly what Trenton owned during those contacts.

Q Did you ever ask Mr. Taylor, Mr. Paulson, Mr. Cole, Mr. Fein or anyone else whether Trenton owned more than 650,000 shares prior to the date of the closing.

A No, because I expected and -- my part of the agreement, in my mind, was that I was buying everything he owned. It never occurred to me that Trenton owned more than what was in that agreement, so I had no way of -- I had no reason to ask.

Q Were you ever told by anyone, including Mr. Taylor, Mr. Paulson, Mr. Cole or Mr. Fein, that Trenton owned more than 650,000 shares of Transcontinental?

A Yes. If I was told, I wouldn't have executed

Witness Sackett

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2 that agreement because it wouldn't be in accordance with
3 our agreement that we negotiated to buy.

4 Q You stated at the outset of your testimony that
5 it was an oral agreement with the defendants and it was
6 your understanding and a meeting of the minds that you were
7 purchasing all of the assets of Trenton, including all of
8 the shares of stock of Trans owned by Trenton and that that
9 was your understanding of what the agreement was, is that
10 correct?

11 A Well, all of the assets of Trenton, including the
12 stock that related to Trans. I didn't know what other assets
13 they had. Certainly, we were not going to buy, although it
14 was offered -- all of the company was offered, but we
15 said we were not interested in the company itself. We
16 were just interested in the assets relating to Trans. We
17 were not interested in taking over the liabilities or the
18 company.

19 Q You stated that Mr. Fein was seeking \$222,000
20 at the outset of these negotiations?

21 A That's right.

22 Q And that thereafter he took a lesser figure, is
23 that correct?

24 A That's correct. However, the terms of what we
25 were buying was not changed from the very beginning. We

Witness Sackett

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were buying what we started to talk about, and we never talked about buying anything different or deviated from the initial premise that we were buying everything. The only thing changed was the amount we paid for it.

Q You mean the only difference between your initial meeting and the ultimate agreement was the amount of money that Mr. Fein was to get?

A In substance, yes. I can't recall anything else. Well, in the final negotiations there was a warranty as to debts outstanding and things like that, but the basic thing we were buying was never changed. In other words, we never deviated from that initial conversation, initial premise that started the negotiations and continued all the way through to its conclusion.

Q Did you ever ask Mr. Taylor, prior to the closing of this agreement, whether or not you and he should seek a certification from the transfer agent of Trans, who at that time was Mr. Fein, that these were all of the shares owned by Trenton?

MR. TAYLOR: Mr. Fischer, I haven't objected so far to your inquiring of the witness what conversations he had with me. I certainly think it would be improper for him to be asked questions concerning conversations he had with me as his counsel.

SACKETT ADMITS HE KNEW HE WAS NOT BUYING B. FEIN'S STOCK.

What if Trenton had over the years given some of its stock to Fein as its largest creditor & stockholder? Does Sackett claim those shares?

1 | Witness Sackett | 275 | 568

Q Referring now to this meeting of October 22, 1965 and your notes of that meeting, Defendant's Exhibit 104, the second full paragraph on the first page reads:

"Taylor stated that we understood Fein was willing to sell his interests in Trans Oil and get out completely; that we were meeting to explore this possibility and to determine from him details regarding the assets and liabilities of Trans."

10 Is that your recollection of an item that Mr.
11 Taylor raised at the outset of the meeting?

12 A That's correct. If those are my notes, that was
13 my recollection at the time I wrote the notes. By that I
14 don't intend to report verbatim as to what Mr. Taylor
15 said, but the substance of what he said that is pertinent
16 to the thing. There were a lot of other things probably
17 said that I didn't consider pertinent at that time, as I
18 recall.

19 Q Well, was the ultimate deal reached with Mr.
20 Fein a deal whereby he got out of Trans completely?

21 A To the extent that he resigned as an officer and
22 director and turned over all the records and everything
23 else. To that extent, that did happen, yes.

24 Q Isn't it true that he did not sell his complete
25 interest to you on June 22, 1966, and at that date you knew

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2 he was not selling his complete interest in Trans to you?

3 A By "his complete interest," what I would mean
4 would be that we knew he wasn't selling his personal stock,
5 any personal stock that he owned personally in Trans. But
6 his interest in Trans, such as an officer, director, waiv-
7 ing \$50,000 of accrued salary and other things, he was
8 selling his interest in Trans.

9 Q Are you saying that you knew, on October 22, 1965,
10 that Mr. Fein was not there to discuss the sale of his own
11 personal holdings in Trans?

12 A Well, that never came up because we were not
13 buying his personal holdings, his personal stock that he
14 owned beneficially, personally, owned of record benefici-
15 ally. We were talking about his interests in Trans as an
16 officer, director, any debt that was owed by Trans to him.
17 We were talking about Trenton's interest, really. When
18 we were talking there about his interest, what I meant
19 there was that his interest in being in the company, as
20 an officer, director in control of the company, and we
21 were talking about Trenton's interest. We were buying these
22 assets from Trenton. There was no question about buying
23 any assets or stock from Mr. Fein personally, other than his
24 waiver of the debt that Trans owed him for back salary.

25 Q You are saying, then, that when you wrote in

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SACKETT ADMITS THAT TRENTON ACQUIRED THE DESILETS AND CHAMBERLAIN STOCK
IN APRIL 1960.

(Statute of Limitations - Res adjudicata)

Witness Sackett

611

ask him what the legal significance of his claim is.

Q What facts do you know which support the conclusion contained in Paragraph 49: that the Arthur Desilets shares and the Elsie Chamberlain shares, if they had not been converted, should nevertheless be turned over to you under the terms of the June 22, 1966 agreement?

A Well, if they had not been converted, they would have, as far as I know, be in the ownership -- they would have been beneficially owned by Trenton. Therefore, they should have been turned over.

Q What supports your conclusion that they would have been beneficially owned by Trenton?

A Because Trenton was the vehicle and the entity that loaned the money and apparently received consideration for the money loaned to Trans. There was no record in the files indicating that any other individuals connected with Trenton were the recipients of any stock from Trans. Therefore, it would seem to me that Trenton would be the beneficial owner or should be the beneficial owner if it had not converted them, actually.

Q When do you understand Trenton acquired these shares, approximately?

A The Desilets stock was apparently acquired when it was issued, on April 25, 1960, and the Chamberlain stock

Witness Sackett

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2 was also received in 1960; probably in July or August of
3 1960.

4 Q Is it not a fact that between 1960 and 1967, you
5 do not know what happened or where that stock was Isn't
6 that true?

7 A I know it was sold in 1966, but where it was
8 physically at that time, other than in the possession of
9 Trenton, so far as I know, I don't know where it was.

10 Q Between 1960 and 1966, you don't know who was the
11 owner of the certificates, do you?

12 MR. TAYLOR: Are you asking this witness about
13 who the record owner purported to be?

14 MR. FISCHER: Who the beneficial owner of those
15 certificates were.

16 A No, other than what Mr. Fein, in his accounting
17 for the various shares, said that Trenton got this or that,
18 but it wasn't specified as to any specific certificates.

19 Q And you don't know whether Trenton disposed of
20 those shares to a third person between 1960 and 1966, is
21 that correct?

22 A No, I don't know, except that it was sold at the
23 time of the closing. It might be a strange coincidence.

24 Q Referring to Paragraph 20, who put those certifi-
25 cates in for transfer on those respective dates?

Witness Sackett

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2 sell all of the interests that he had in the whole pic-
3 ture and that Trenton had, as debtor and so forth, if he
4 would be paid out the debt. That was the basis of
5 this meeting: to explore this. That is what I said. By
6 "his interest," I mean there all of his interest as an
7 officer, director, creditor of Trans, and also --

8 Q Stockholder?

9 A Well, I didn't specifically mean personal stock-
10 holder. That wasn't discussed at that time. By "his
11 interest" I meant just what I said.

12 Q The last page of these notes contains a paragraph,
13 which is the second paragraph from the bottom, which reads,
14 in part, as follows: "Fein, in answer to a direct ques-
15 tion by Taylor, said he was willing to turn over all of
16 Trenton Products and his personal interests, including
17 control of Trans, if Trenton is paid in full (\$222,000)
18 and he is paid the \$6000 he advanced as operating expenses."

19 A That's correct; well, that's what it says there.

20 Q I want to find out from you what you meant by the
21 words "his personal interests."

22 A To me, that meant his interests as an officer,
23 director and the person to whom Trans owed money for
24 back salary.

25 Q Not as a stockholder?

A No, I didn't mean any personal stock that he may have legally owned beneficially, that he had paid a consideration for and so forth and so on. We weren't negotiating for that.

Q He didn't, in fact, sell you all of his personal interests, is that correct?

A He did?

Q He did not, in fact, sell you all of his personal holdings of stock in Trans, is that correct?

A Well, we never asked him to.

Q But he didn't? You didn't ask him to and he didn't?

A As far as I know, he didn't. I don't know what his holdings were, because the amount of record, after we took over and got the transfer records, the amount of shares he owned of record was a very small amount, probably five or six thousand shares.

Q And you did not negotiate for those shares and he didn't sell you those shares, is that correct?

A That's right; we didn't know about those shares. We didn't know what he owned, except that at one time he told me it was either 50,000 or 70,000.

Q And it is your claim in this lawsuit that he also did not deliver to you, on or about June 1966, shares owned

Exhibit P P P P P

Form of a debenture entitled
"Transcontinental Oil Corporation
10-year 4% Subordinated Convertible
Debenture, due 1976"

No. _____

\$ _____

TRANSCONTINENTAL OIL CORPORATION10-year 4% Subordinated Convertible Debenture, due 1976

TRANSCONTINENTAL OIL CORPORATION, a corporation duly organized under and by virtue of the laws of the State of Delaware, and being herein called the "Company," for value received; promises to pay to

or order, the sum of \$ _____ on August 15, 1976, and to pay interest on the principal amount thereof at the rate of Four (4%) Percent per annum. The principal hereof, and the interest hereon, shall be payable at the principal office of the Company.

This Debenture is one of an issue known as 10-year 4% Subordinated Convertible Debentures, duly authorized on August 12, 1966, in the aggregate principal amount of \$100,000., each debenture being in multiples of \$500. and all otherwise of like tenor and maturity, except the variations necessary to express the name of the payee, the date of issuance and the number of each debenture.

Interest shall be payable semi-annually on February 15th and August 15th of each year until payment of the principal sum has been made or duly provided for, and shall be payable from February 15th or August 15th, as the case may be, last preceding the date hereof to which interest has been paid, unless the date hereof is a February 15th or an August 15th to which interest has been paid, in which case from the date hereof, or unless the date hereof is prior to February 15, 1967 in which case from August 15, 1966.

The holder of this debenture has the right at his option, commencing at any time after August 15, 1967 and up to and including August 15, 1976 (except that in case this debenture shall be called for redemption and the Company shall not thereafter default in making due payment of the redemption price, such right shall terminate at the

BEST COPY AVAILABLE

close of business on the date fixed for redemption), to convert the principal hereof into fully-paid and non-assessable shares of the common stock of the Company at the conversion price of \$9.25 per share, upon surrender of this debenture to the Company at its principal office and accompanied (1) if so required by the Company, by an instrument of transfer in form satisfactory to the Company, duly executed by the registered holder of this debenture or by his duly authorized attorney, and (2) if surrendered for conversion after the record date for payment of interest on this debenture and before the date of payment of such interest, by funds in an amount equal to the interest which would have been so payable on the principal amount hereof so surrendered for conversion had the same not been so surrendered for conversion. The conversion price is subject to adjustment in case the Company shall at any time issue any shares of common stock in subdivision of outstanding common stock, by reclassification or otherwise, or in case the Company shall combine shares of common stock, by reclassification or otherwise, in which event or events the conversion price shall be proportionately reduced or increased, respectively.

All or any of the debentures of the issue of which the within is a part are subject to redemption, in whole or in part, on any interest-paying date prior to maturity, at the election of the Company, upon payment of the principal amount thereof, accrued interest and a premium of One (1%) Percent of the then unpaid amount of the principal for each year or major fraction of a year that redemption is had prior to the maturity date herein of August 15, 1976, upon the Company (or its successors or assigns) giving notice of its election to redeem, by certified or registered mail, directed to the holder hereof named hereon (at such holder's address last filed with the Company prior to such mailing) at least thirty (30) days prior to the date of redemption. If the holder hereof fails and neglects to surrender this debenture for payment at the time and place in such notice specified, this debenture shall cease to bear interest unless payment thereof is refused upon the presentation of the same at the time specified in such notice.

The Company may redeem this debenture in part by payment of a portion of the principal amount thereof in multiples of

§100. and upon such pre-payment, the Company shall pay the accrued interest upon the amount so pre-paid together with a premium of One (1%) Percent of said amount of pre-paid principal for each year or major fraction of a year that such pre-payment is had prior to the maturity date herein of August 15, 1976. Upon any such pre-payment, this debenture shall be surrendered to the Company for the endorsement thereon of a notation of such pre-payment. Anything to the contrary notwithstanding, the Company shall not call this or any other debenture of the issue of which the within is a part prior to August 15, 1967.

By the acceptance of this debenture, the holder thereof assents:

1. All debentures of this issue rank equally and ratably without priority over one another;
2. All rights of the holder hereof to the principal sum or any part thereof is and shall remain subject and subordinate to the claims of all present and future contract creditors, including banks and other institutional lenders, whose claims arise from (a) the sale of equipment and/or supplies to the Company; or (b) the rendition of work, labor or services to the Company; or (c) monies loaned to the Company; and upon dissolution or liquidation of the Company, no payment shall be due or payable upon this debenture until all of the said contract creditors of the Company shall have been paid in full;
3. Upon the occurrence of any of the following events of default:
 - (a) failure to pay any interest due on this debenture within thirty (30) days after the same becomes due;
 - (b) the Company shall commence any voluntary proceeding under any bankruptcy, reorganization, arrangement, insolvency, readjustment or debt, receivership, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or the Company shall be adjudicated insol-

vent or bankrupt by a decree of a court of competent jurisdiction; or the Company shall petition or apply for, acquiesce in or consent to, the appointment of any receiver or trustee of the Company or for all or a substantial part of the property of the Company; or the Company shall make an assignment for the benefit of creditors; or the Company shall admit in writing its inability to pay its debts as they mature;

- (c) there shall be commenced against the Company any proceeding relating to the Company under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, receivership, dissolution or liquidation law or statute of any jurisdiction, whether now or hereafter in effect, and any such proceeding shall remain undismissed for a period of sixty (60) days or the Company by any act indicates its consent to, approval of, or acquiescence in any such proceeding; or a receiver or trustee shall be appointed for the Company or for all or a substantial part of the Company and any such receivership or trusteeship shall remain undischarged for a period of sixty (60) days; or a warrant of attachment, execution, or similar process shall be issued against any substantial part of the property of the Company and the same shall not be dismissed or bonded within sixty (60) days after levy,

then, subject to the provisions of Paragraph "2" hereof, and in any such event, the holders of Seventy-Five (75%) Percent in principal amount of these Subordinated Convertible Debentures outstanding may, by written notice to the Company, declare the entire unpaid principal amount of all such debentures, together with accrued interest thereon, due and payable, and the same shall, unless such default shall be cured within fifteen (15) days after such notice, forthwith become due and payable upon the expiration of such fifteen-day period,

without presentment, demand, protest, or other notice of any kind, all of which are expressly waived.

In the event that the holder of this debenture shall surrender the same for conversion into the common stock of the Company, as hereinabove set forth, then upon the demand in writing of the holders of Seventy-Five (75%) Percent of the aggregate, whole number of the shares of stock actually converted or convertible by the terms of the debentures issued as part of this series, the Company will, at its own cost and expense, file a registration statement affecting such shares with the Securities and Exchange Commission, such registration statement to be filed no later than ninety (90) days after such written demand therefor.

In the event the Company shall, independent of any demand of the holders of this or any other debenture in this series (or the holder of the stock into which this debenture has been converted), propose to file a registration statement, the Company shall give fifteen (15) days' written notice thereof to the holder of this debenture during which time the said holder may notify the Company that his shares (converted or to be converted) are to be included within said registration statement and thereupon said holder (or stockholder, as the case may be) shall furnish the Company with such information as may reasonably be required with respect to the inclusion of such converted shares in said registration statement.

IN WITNESS WHEREOF, the Company has caused this debenture to be signed and its corporate seal to be affixed by its officers thereunto duly authorized.

TRANSCONTINENTAL OIL CORPORATION

Attest:

By _____ President

Secretary

Date of Authorization: August 12, 1966.
Date of Issuance:

FOR USE ONLY WITH CONVERSION

To: TRANSCONTINENTAL OIL CORPORATION

The undersigned hereby irrevocably elects to convert this debenture into shares of common stock as provided in said debenture. All shares deliverable upon such conversion shall be issued in accordance with the instructions given below.

(Signature) _____

INSTRUCTIONS FOR REGISTRATION OF STOCK

Name _____

Street _____

City and State _____ ZIP _____

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FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto

[Please print or
typewrite name and
address of assignee] _____

[Social Security number or other
identifying number of assignee] _____

the within debenture of TRANSCONTINENTAL OIL CORPORATION and
does hereby irrevocably constitute and appoint _____

Attorney to transfer the said debenture on the books of the
Company, with full power of substitution in the premises.

Dated: _____

Service of three (3) copies of the within

is hereby admitted this 6 day of

Dec 197.

Kaufman Taylor Kintoff, Her
Attorney for